



# **ANNUAL REPORT FOR THE 2014/15 FINANCIAL YEAR**

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# NALEDI LOCAL MUNICIPALITY



## ANNUAL PERFORMANCE REPORT FOR 2014/15 FINANCIAL YEAR



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## **CHAPTER 1 MAYOR'S FOREWORD & EXECUTIVE SUMMARY**

### **FOREWORD BY THE MAYOR OF THE NALEDI LOCAL MUNICIPALITY, CLLR S T MODISE**

*In 2014/15 we honoured human rights activist and struggle icon Dr. Ruth Segomotsi Mompoti in recognition of her extraordinary lifelong contribution to freedom and human rights in Africa, South Africa and the Province. We are inspired by the life of the previous mayor of Vryburg.*

*Mamma Ruth realised the importance of local government and emphasised unbiased honest actions and decision-making.*

Minister Pravin Gordon introduced a 'back-to-basics' approach and I am proud to say that Naledi Local Municipality already adopted this approach and submitted all reports to National Cogta on time. In terms of our Provincial back to basics reports we weren't satisfied with the relevance of the action plan and adopted a new action plan aligned to the service delivery and budget implementation plan.

I have the pleasure to present this Annual Performance Report of the Naledi Local Municipality for the 2014/15 financial year to Council, to our community and to all our valued stakeholders.

This report reflects the situation for the period July 2014 to June 2015. Despite the challenges there is an effort towards better performance as we build on the legacy of democratic local governance.

Building on the progress made in 2014/15 we will continue with our efforts to achieve our objectives in terms of service delivery, compliance with legislation and achieving a clean audit.

I want to express my sincere appreciation to our councillors, the community of Naledi, the Municipal Manager and each member of staff for their contribution and support during the past year.

**S T Modise  
Mayor of Naledi Local Municipality**



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**MESSAGE FROM THE MUNICIPAL MANAGER OF NALEDI, MR M T SEGAPO**

This annual performance report is presented to the community of the Naledi Local Municipality in terms of Section 46 of the Systems Act, 32 of 2000.

As a Municipality we derive our mandate from the Constitution of the Republic of South Africa and national legislation which requires of Council to conduct thorough planning, budgeting and monitoring processes, give priority to the basic needs of our community and promote the social and economic development of the municipal area.

This report reflects the achievements and challenges of the Municipality and consists of:

- Governance;
- Service Delivery Performance;
- Organisational Development Performance;
- Financial Performance;
- Auditor General's Findings and Naledi Local Municipality Remedial Action Plan; and
- Volume II: Audited Financial Statements

We are deeply concerned about the cashflow problems in Naledi Local Municipality. Many of our community needs could not be included in our plans due to the financial situation. We are however focusing all our attention to this central problem and cutting costs and increasing income where we can, most notably to citizens are the smart meters. The community welcomed this initiative, but we received many protests regarding the meters at roll out stage. It is acknowledged that the programme have some teething problems, but we believe the bulk of the protests are either politically inspired or coming from a segment of the community that do not want to pay for services rendered.

I am pleased to report that despite the challenges we have seen an improvement in performance.

I want to thank the Mayor of Naledi, the executive and the councillors for their strategic direction and support. A special word of appreciation also goes to the Dr Ruth S Mompoti District Municipality and the Bokone Bophirima Department of Local Government and Traditional Affairs. I also want to pay tribute to the dedicated staff members of the municipality who ensure the effective day-to-day running of our activities. Through our collective efforts we are steadily improving the quality of service delivery to the community of the Naledi Local Municipality.

**M T Segapo  
Municipal Manager**



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## **EXECUTIVE SUMMARY AND OVERVIEW OF MUNICIPALITY**

### ***Background and Profile:***

The Naledi Local Municipality is situated in the Dr Ruth S Mompoti District of South Africa's North West Province. It covers an area of approximately 7 264 square kilometres and is divided into nine wards representing the interests of the communities of Vryburg, Kismet Park, Huhudi, Colridge, Dithakwaneng, Stella and Devondale.

The municipality has a population of 66 781 – according to the Census 2011 which is a minor growth rate from the previous Census explained by an out-migration to the cities. The average household size reduced from 4,3 people in 1996 to 3,4 people/household in 2011. The population thus consists of 18 572 households. This is important to factor into future housing and service needs projections.

More than 74% of the population is African and 50% female.

The dependency ratios (children and pensioners dependent on the potentially economic active population) are down from 62,5% in 1996 to 56,2% in 2011.

The level of education in the area has risen significantly with citizens with higher education almost doubling in amount from 2001 to 2011 (1860 to 3560 people). Grade 12 and secondary school level education in the municipality also increased significantly.

Of the 18 314 households in Naledi some 82% live in formal dwellings. This represents a steady increase towards formal dwellings since 1996 although the backlog in housing also continued to grow.

Agriculture and hunting are the strongest contributors to the municipality's economy, jointly responsible for 21% of employment. Other important job creating sectors are finance and insurance (8%), public administration (8%), health and social (5.8%) and transport (5%).

Total revenue of the Naledi Municipality during the 2014/15 financial year was R 360,457,096 of which the bulk is derived from service charges, grants and subsidies from national and provincial government and property rates. Expenditure amounted to R 388,111,174 and items below the line of R296,074,063 (mainly loss on disposal of roads to Department of Public Works) resulting in a deficit of R27,654,078 (R 323,728,140 including items below the line).

### ***Basic Service Delivery and Infrastructure:***

Cashflow problems impacted negatively on service delivery and many community needs were not included in the budget, for example:

- New main sewerage line
- Upgrading of sewerage reticulation system
- Upgrading of Banquet hall kitchen and ablution facilities
- Upgrading of the link road to Devondale
- Migrating water meters from inside yards to the sidewalk



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- Installation of electricity house connections
- Construction of a transfer station in wards 3 and 4

100% of the MIG allocation was spent by the municipality and an additional allocation by COGTA was made which was also 100% implemented.

Refuse removal services provided a service to a 1000 additional households and maintained the standard with existing clients.

The construction of a new landfill site for greater Vryburg was completed in the financial year.

***CBD: Street cleaning and street lights***

Visitors to the town acknowledge the generally clean streets and maintenance on street lights when compared to other small towns.

***Water:***

According to the Census 2011 a total of 18191 households in the Naledi Local Municipality have access to acceptable levels of water services. Of these, 80% use piped water inside their dwellings.

Providing consistent water to clients became a problem in 2013/14 due to the reliability of bulk water supply by the District Municipality from Pudumoeng. This problem was however addressed and a 100% water supply to all connected households achieved in 2014/15.

***Roads:***

The municipality performed various operational activities in the roads programme and the achievements are highlighted in Table 1:

Indicator	2014-2015
Km of re-graveled roads	1849 km
M2 patched potholes	31803 m2
M3 of water channel developed	687 m3
Catch pits	29
M2 side walk repaired	2901 m2
Speed humps	3
Resealing	2750 m2

**Table 1. ROADS PROGRAMME PERFORMANCE**

***Electricity:***

By July 2015, a total of 1 838 meters were installed. The project is on-going. Although it is a relatively small percentage of meters installed, the Eskom account dropped by 13% (just over R1 million rand): consumers became electricity conscious resulting in reduced usage and a number of by-passed meters were replaced with new meters. Naledi Local Municipality is collecting approximately R1.5 million more on the same meters.





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Two instances were reported where customers tried to tamper with the meters. The meter went through the protocols of registering the tamper online where after it automatically shut down. After these incidents, nobody tried so far again to tamper with a meter. The meter is very effective as a communication tool because of the ability to generate text messages. Once all meters are installed, the system can be used as an alternative for load shedding. The amperage on the meters can be lowered remotely to prevent customers using stoves, geysers, swimming pool pumps and air conditioners when so needed. The lights will thus remain on and clients can choose how they want to spend the allowed load.

***Sanitation:***

The backlog in the provision of sanitation has been steadily reduced since 1996. 12 879 (69%) households in Naledi have access to flush toilets which are connected to the sewerage systems.

***Town Planning:***

The town planning unit maintained the performance level of evaluating building plans within 30 days and processing town planning applications within 102 days after submission.

***Indigent Register***

The Naledi Local Municipality has an indigent register of 4923 approved indigents, 314 pending indigents and 340 new applicants. The municipality engages on outreach programmes to register indigents ward by ward.

***Immovable Properties Policy***

An immovable properties policy was developed and adopted by Council during the 2013/14 year and new rates and valuations implemented in 2014/15.

***Financial Viability:***

One of the primary objectives of Council is to build a sustainable and effective Naledi Municipality. In the management of the finances priority attention is given to the areas of maximizing revenue and the effective management of the municipality's assets. Among the highlights of the past year are listed below:

- The municipality started the process of integrating rates accounts into service accounts and this process was finalised in 2014/2015 financial year.
- 100% of meters are being read on a regular basis.
- An application for the funding was approved by SANEDI for smart metering project (electricity and water meters) and implementation started in the 2014/2015 financial.
- Consumer accounts are being sent timeously to account holders on or before 01<sup>st</sup> of each month.
- The municipality are using the new Pastel financial system effectively
- The Council's indigent register is being updated on a regular basis. 100% of registered indigents receives free basic services and old debts written off;
- The municipality's asset register is GRAP compliant and is constantly updated.



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- The number of audit exceptions relating to finance in the Auditor General's Report was reduced.



## CHAPTER 2 GOVERNANCE

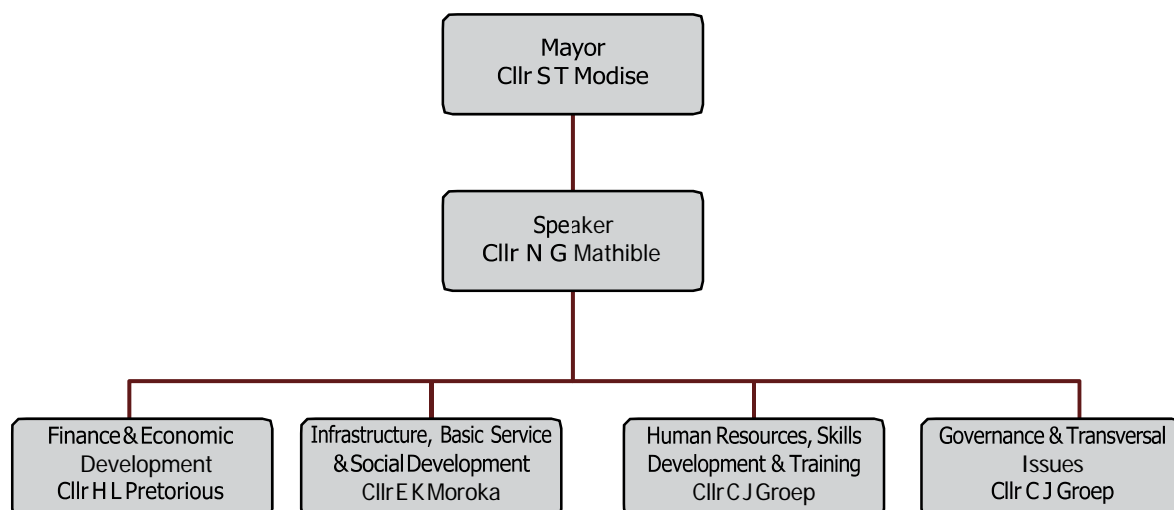
Good governance and public participation deals with community participation; outreach and communications.

Municipal Integrated Development Planning and Performance Management need to be informed by community issues and interests and since the Council is accountable to the community, governance structures and systems are reflected upon in this chapter.

### 2.1 GOVERNANCE STRUCTURES

#### ***Political Governance Structure***

The Naledi Local Municipality consists of 18 councillors of which nine have been elected in wards and nine through the proportional representation system. The African National Congress holds a majority of 12 elected representatives while seven councillors form part of the official opposition, the Democratic Alliance and one represents the Congress of the People. Cllr S T Modise (ANC) serves as Mayor of Naledi and also chairs the multi-party executive committee. The Speaker, Cllr N G Mathiba (ANC) is the Chair of Council. Five scheduled meetings and five special meetings of Councils were held during the year under review.





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The council political and gender composition are:

Name	Gender	Position	Political Party
Cllr Moroka	Female	Exco	ANC
Cllr Bareng	Female	N/A	ANC
Cllr Mogale	Male	N/A	ANC
Cllr Pretorius	Female	Exco	DA
Cllr Thekisho	Female	MPAC member	ANC
Cllr Mathiba	Female	Speaker	ANC
Cllr Coetzee	Male	N/A	DA
Cllr Renoster	Male	N/A	DA
Cllr Adonis	Male	MPAC member	DA
Cllr Kgajane	Male	N/A	COPE
Cllr Moloi	Female	MPAC member	DA
Cllr Nchochoba	Male	MPAC member	ANC
Cllr Kgodumo	Male	MPAC member	ANC
Cllr Ramorogadi	Male	MPAC member	ANC
Cllr Groep	Male	Exco	ANC
Cllr Matobo	Male	MPAC interim chair	ANC
Cllr Modise	Male	Mayor	ANC
Cllr Lekgetho	Male	MPAC	ANC

**Table 2. COUNCIL POLITICAL AND GENDER COMPOSITION**

**Administrative Governance Structure** □

The Municipal Manager, Mr M T Segapo leads a workforce of 482 officials spread across five departments – Community Services and Housing; Administration and Corporate Services, Technical Services and Facilities Management, Budget and the Treasury and the Office of the Municipal Manager.

## **2.2 INTERGOVERNMENTAL RELATIONS**

Intergovernmental relations is the responsibility of the District Municipality, all activities related to IGR are handled at district level. The municipality established a relationship between themselves and sector departments with the intention of enhancing joint planning.

The community needs were discussed at an IDP steering committee meeting on 22 April 2015 where most provincial sector departments were represented and the Office of the Premier provided a consolidated provincial project list for Naledi Local Municipality after the meeting.



## 2.3 PUBLIC ACCOUNTABILITY AND PARTICIPATION

### **Public Meetings** □

The municipality led by the Mayor engages in an intensive and interactive public participation exercise during the development of the Integrated Development Plan document in the 2014/2015 FY. The planning processes conducted by the Municipality are highly participatory in nature.

The Municipality visited each ward to establish the needs of the community with regards to the review of the IDP. A ward based summit (which invited ward committee members to a meeting facilitated by the Province on 26 February 2015) was also held and these needs will be further developed and discussed to influence the next five year plan after the local government elections.

Dates of public ward meetings were posted in the local newspaper, flyers were distributed and loud hailing was done in each ward as a mobilisation strategy.

The process of needs identification in ward based public forums took place between 23 February 2015 and 12 March 2015. All wards – with the exception of Wards 7 and 8, which were cancelled due to non-attendance – were consulted.

DATE	WARD	LOCATION	ACTUAL ATTENDANCE
23- 02-15	1	Stella	130
	2	Devondale	87
24- 02 -15	2 & 3	Colridge	149
02- 03 -15	4	Huhudi	97
09- 03 -15	5	Dithakwaneng	62
03- 03 -15	6	Huhudi	34
02- 03 -15	7	Vryburg	00
03-03 -15	8	Huhudi	00
12-03 -15	9	Huhudi	51
Total attendance			610

**Table 3. WARD BASED PUBLIC MEETINGS**

The needs were discussed and the method of prioritisation were confirmed at a Budget Steering Committee meeting held under the leadership of the Mayor and Exco with top management on 8 May 2015 and a meeting with representatives from the community via an IDP Representative Forum finalised the process on 13 May 2015.

### **IDP Participation and Alignment**

Public participation in the municipality is managed from the office of the Speaker. The municipality engages in public participation through: scheduled ward public meetings



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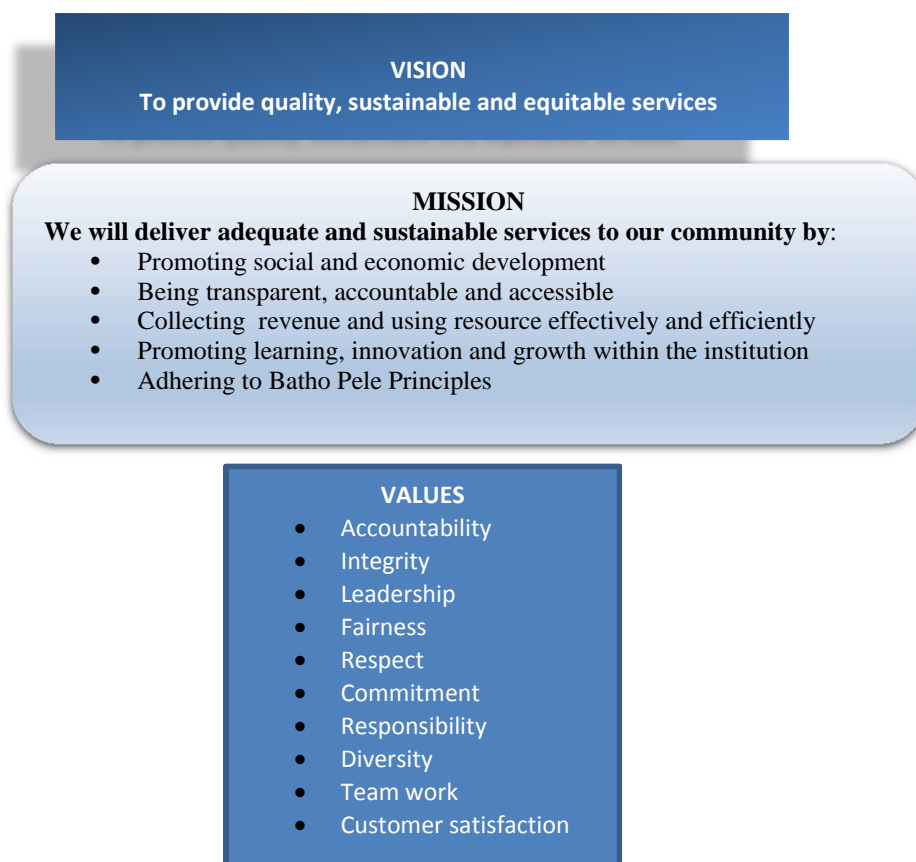
coordinated by ward committees; and public engagements on municipal processes led by the Mayor and the Executive Committee (for instance the community based planning and budget process).

Council approved an IDP process plan and the 2015/16 Integrated Development Plan was reviewed and adopted by Council following meetings of the IDP Representative Forum. The Annual Report for 2013/14 as required by Section 127 of the Municipal Finance Management Act was adopted by Council in March 2015.

The Office of the Premier provided detailed ward based analysis on backlogs in Naledi Local Municipality and extracts from these findings are provided as Annexure A. Together with ward based public participation and IDP adopted strategic interventions these factors guide the budget process.

The Integrated Development Plan of Naledi Local Municipality captured a vision, mission and set of values. The IDP priorities were informed by ward based planning. The following pages set out this context:

***VISION, MISSION AND VALUES***





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***Municipal priorities and powers and functions of the municipality***

The municipal priorities set out in the Integrated Development Plan and legislated powers and functions guided the budget and activities of the municipality (refer to Table 4 & 5 below):

PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
PROVISION OF INTEGRATED HOUSING				
1	Establishment of a satellite municipal housing unit in Colridge (in the hall and library premises)	The office relevant are inaccessible to the community of Colridge	Wards 2 and 3 Colridge	Department of Local Government & Human Settlements /Naledi Local Municipality
2	Completion of the RDP houses in south of ward 4	There are a number of unoccupied and incomplete RDP houses south of Huhudi with beneficiaries allocated	Ward 4	Department of Local Government & Human Settlements
3	Rehabilitation of dilapidated houses- programme to be extended	Dilapidated houses which are a hazard to the occupants	Ward 8 & 9	Department of Local Government & Human Settlements
4	Formalisation of the informal settlement in Colridge	The informal settlement in Colridge is not organised and has a bearing on the quality of service delivered	Ward 2 and 3 Colridge	Department of Local Government & Human Settlements
5	The old municipal houses with asbestos roofing to be renovated because the asbestos is a health hazard for habitants	Asbestos is a health hazard, some of the municipal houses still has asbestos roof	Ward 8	Department of Local Government & Human Settlements
6	Municipality to give owners of the RDP houses title deeds	Many RDP houses beneficiaries do not have title deeds	Ward 1 and Devondale	Naledi Local Municipality



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
7	Request for RDP houses in Devondale and Dithakwaneng to be done and the completion of incomplete RDP houses to expedited	There is a need for additional RDP houses due to the growing informal settlement	Ward 2 Devondale and 5 Dithakwaneng	Department of Local Government & Human Settlements
8	Upgrading of the main sewer line	Capacity to deal with sanitation network	Ward 7	DRRSM District Municipality/ Naledi Local Municipality
9	Council to expedite the process of construction of the WWTP at Stella	Stella only has oxidation pond which is not in line with the health standards	Ward 1	DRRSM District Municipality
10	New sewerage network	The sewerage network is old and small, it cannot accommodate the growing demand	Ward 4	DRRSM District Municipality
PROVISION OF SPORT AND RECREATIONAL FACILITIES				
11	The upgrading of Colridge stadium be expedited	The condition of the stadium is unbearable and the stadium is further vandalised	Ward 2 & 3 Colridge	Department of Public Works/ Department Sport, Arts and Culture Naledi Local Municipality
12	Establishment of a multipurpose centre in ward 8 for youth development	There is a need for a multipurpose centre in Huhudi because it will assist in nurturing talent and reduce social ills in the area	Ward 8	Naledi Local Municipality
13	Upgrading of Huhudi gymnasium and Huhudi Swimming Pool			Naledi Local Municipality
14	Final phase of the upgrading of the B field of Huhudi stadium be expedited			Naledi Local Municipality
15	Conversion of the Old Cemeteries	Old cemeteries occupy big pieces of land and are	Ward 6 & 9	DRRSM District





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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
	in Pholoholo and Hoffman Galeng (north)streets into a memorial parks	not properly maintained thus attracting criminal activities		Municipality/ Naledi Local Municipality
PROVISION OF PRIMARY HEALTH CARE SERVICES				
16	Construction of new clinics	There is no clinic in ward 4, the nearest clinic for the community of Ward four is over 2km far.	Ward 5 and 4	Department of Health
17	Construction of new clinics	At Dithakwaneng Village there is no formal structure of a clinic and a mobile clinic is inadequate for the community of Dithakwaneng and it is always late and closes earlier than expected	Ward 5	Department of Health
MUNICIPAL LAND AND PROPERTY MANAGEMENT AND OTHER SERVICES				
18	Additional pay point services (Colridge)	The municipal services pay points are inaccessible for the elderly who are pensioners and do not have care givers to handle these kind of errands for them	Wards 2&3 Colridge	Naledi Local Municipality
19	Upgrading of the Banquette hall kitchen and ablution facilities	The kitchen and ablution facilities at the Banquette hall are not in a good state	Ward 7	Naledi Local Municipality
20	Construction of social amenities and service centres for the community of Ext 25 & 28(Schools, Clinic, Parks, etc)	In most instances new establishments without amenities result in increased social ills	Ward 6	Various Departments
21	Land ownership issue to be expedited	The land in Devondale belongs to the Roman Catholic Church and therefore can't be developed by government	Ward Devondale	Naledi Local Municipality



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
22	The used Public or unmaintained private buildings and or other properties be confiscated by the municipality	The unattended and unmaintained properties become cocoon for criminal elements and activities for instance; The feed the Children building (NRC – Teba)	Ward 9	Naledi Local Municipality
PROVISION OF SAFE ROADS AND TRAFFIC MANAGEMENT (ROADS, ROAD SIGNS & MARKINGS )				
23	Upgrading of roads:	The identified roads are sloping and channels water during rainy season. During rainy seasons, the same roads are impassable	Ward 2 Colridge Colridge Skool Straat, Kraanvoel and Papagai straat	Naledi Local Municipality
			Ward 6 Jomo Khasu, Tladi, Sello Maphalle, Albert Kekesi, Pholoholo, Crutze, Aurheim, Kashe (btwn Mosiapo & Mokhutsane), Goliath, and Bakry Streets. Mathimba and Korana Street	Naledi Local Municipality
			Ward 7 De Kock & Livingstone	Naledi Local Municipality
			Ward 4 All the streets south of Chrich Naaidoo including Makgobi , keitebetse, Nurse Morongwa, Zora Lecoge, cliff Jonas, etc Ward 9 Baatege, Sehunelo, Bakry, Strijdom and all other streets east of Hofman Galeng	Naledi Local Municipality
	The upgrading of the Link road between N18 and Devondale be considered as a priority for the fourth time.	The link and Internal roads are not passable during rainy and after rainy season	Devondale	Department of Public Works, Roads and Transport
	Construction of speed humps	Most of the upgraded roads are long and sloping, as a result the motorists are speeding on those roads without being cautious of pedestrians and children	Ward 2 & 3 Roydenweg, Kraanvoel, skool, Swarthaak and Papagai St Ward 6	Naledi Local Municipality Naledi Local Municipality



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
			Mariri, Mokhutsane, metsi, Strijdom, Mosiapo, and Nelson Mandela str.	
			Ward 7 Warren Road, Voortrekker & Noord str	Naledi Local Municipality
			Ward 8 All newly upgraded streets	Naledi Local Municipality
			Ward 9 Segawana North & Hoffman Galeng str	Naledi Local Municipality
			Ward 5 All upgraded roads	Naledi Local Municipality
	Establishment of four way stops on the following corners	Safety	Ward 7 Naas Raubenheimer & Angus str  Visser Eland str	Naledi Local Municipality
PROVISION OF WATER AND RETICULATION				
24	Migrating all Water meters from inside the yards to the sidewalks	To ensure meter reading are convenient	Ward 7	Naledi Local Municipality
25	Solar Geysers to be repaired or removed because they waste water	Most solar geysers installed are not working and they waste water	Ward 1	Naledi Local Municipality
26	There is a need for additional water stand pipe at Devondale for the informal settlements	The informal settlements in Devondale are growing and therefore needs RDP standard services	Devondale	Naledi Local Municipality
PROVISION OF ELECTRICITY & AREA LIGHTING				
27	Additional High Mast Light to be installed and regularly	Poor area lighting increases crime rate especially for people who walk from Town to Huhudi at	Wards 2, 3,4,5,6, Devondale, 9 & 8	Naledi Local Municipality



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
	maintained	night.  The area between Voortrekker and Strijdom str  The community to be involved in the location of the new high mast lights in Devondale  The timing of the high mast light should be adjusted		
	Electricity House Connections	There are houses without electricity house connections	Ward 5	Eskom/Naledi Local Municipality
	Stella Entrances to be provided with street lights (along N18 road) in other streets in greater Vryburg/ Naledi	There entrances are not visible during the night and all streets East of Hofman Galeng do not have street lights including Nelson Mandela between Segawana and Hofman Galeng, Baatege, Sehunelo and Strijdom	Ward 1, 9	Naledi Local Municipality
	Completion of the solar geyser installation programme	The installation of solar geysers was never completed nor implemented in certain wards	Ward 2 & 3	Naledi Local Municipality
PROVISION OF CRIME PREVENTION AND PUBLIC SAFETY SERVICE AND STRATEGY				
28	A satellite Police Station be established	High crime rate involving gangsters is in Ward 4 and there is poor visible and responsive policing	Devondale & Ward 4	SAPS
29	There is a need for a Police station in Devondale	Crime related to Stock theft and other criminal activities is high in the area		SAPS
WARD COMMITTEE FUNCTIONALITY AND SUPPORT TO & BY THE MUNICIPALITY				



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
30	Review of public participation policy	The Public participation policy and strategy has long been developed and never reviewed to accommodate current developments and needs	Ward 9	Naledi Local Municipality
PROVISION OF SOLID WASTE MANAGEMENT SERVICE				
31	Distribution of refuse bins to prevent Illegal Dumping	Plastic refuse bags are often not distributed to communities resulting in illegal dumping	Ward 8, 2, 4, 6 & 3	Naledi Local Municipality
32	Construction of a transfer station in Ward 4 & 3	The nearest legal dumping site to Ward 4 and 3 community is more than 1km away from furthest house in both wards	Ward 4,5 & 3	Naledi Local Municipality
33	Construction of land fill site to be expedited	Stella does not have a landfill site	Ward 1	DRRSM District Municipality
34	Council to expedite the process of construction of the transfer station or develop mechanism of refuse removal at Devondale	There is no solid waste Management system for Devondale	Ward 2 Devondale	Naledi Local Municipality
PROVISION OF STORM WATER MANAGEMENT				



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PROJECTS				
	ISSUE	REASON	RAISED BY	RESPONSIBLE AGENCY
35	Development of storm water management system in front of the Kismet school and Church	Storm water in that area makes the road impassable for both motorists and pedestrians during rainy season	Ward 7	Naledi Local Municipality
PROVISION OF CEMETERIES AND PARKS MANAGEMENT				
36	Fencing and paving around Colridge Cemetery	The cemetery is not properly covered and it is also situated in an area which is always affected by the sewerage spillage	Ward 4, 2, 9, 6 & 3	Naledi Local Municipality
37	Graves in Pholoholo and Segawana Street to be maintained and converted into a memorial park	The grave site is currently converted into illegal dumping site	Ward 6 & 9	Naledi Local Municipality
EDUCATION FOR COMMUNITIES (Schools)				
38	FET college constructed	There is no higher education institution in and around Vryburg, the nearest is approximately 60km away	Ward 9	Department of Education

**Table 4. IDP ISSUES AND PROJECTS IDENTIFIED**



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The following functions were performed by the municipality in the 2014/15 financial year:	Dr Ruth Mompoti	Naledi
<b>Governance and Administration</b>	<b>Yes</b>	<b>Yes</b>
<b>Water Services</b>	<b>Yes</b>	<b>Yes</b>
Municipality is water services authority	Yes	No
Municipality is water services provider	No	Yes
<b>Electricity and Gas Reticulation</b>	<b>No</b>	<b>Yes</b>
Electricity	No	Yes
Street lighting	No	Yes
<b>Municipal Transport</b>	<b>Yes</b>	<b>Yes</b>
Municipal public transport	Yes	No
Municipal airports	No	Yes
<b>Waste Management</b>	<b>Yes</b>	<b>Yes</b>
Refuse removal	Yes	Yes
Refuse dumps/solid waste disposal	Yes	Yes
Cleansing	No	Yes
<b>Roads and Storm water Systems</b>	<b>Yes</b>	<b>Yes</b>
Municipal roads	Yes	Yes
Storm water systems in built-up areas	Yes	Yes
Municipality performs the 'District' roads function	Yes	No
<b>Community and Social Services</b>	<b>No</b>	<b>Yes</b>
Local amenities: Regulation & facilitation	No	Yes
Local amenities: Service provision	No	Yes
Local sports facilities: Regulation & facilitation	No	Yes
Local sports facilities: Service provision	No	Yes
Municipal parks and recreation: Regulation & facilitation	No	Yes
Municipal parks and recreation: Service provision	No	Yes
Public places: Regulation & facilitation	No	Yes
Public places: Service provision	No	Yes
Child care facilities: Regulation & facilitation	No	Yes
Child care facilities: Service provision	No	No
Cemeteries, funeral parlours and crematoria: Regulation & facilitation	No	Yes
Cemeteries, funeral parlours and crematoria: Service provision	No	Yes
Libraries: Regulation & facilitation	No	No
Libraries: Service provision	No	Yes
Museums: Regulation & facilitation	No	No
Museums: Service provision	No	Yes
<b>Planning and Development</b>	<b>Yes</b>	<b>Yes</b>
Municipal planning	Yes	Yes
Building regulations	No	Yes
Land-use management	Yes	Yes
Property development (non-municipal property)	No	No
<b>Emergency Services</b>	<b>Yes</b>	<b>Yes</b>
Fire fighting: Authority	Yes	No
Fire fighting service provision	No	Yes
Rescue services	Yes	Yes
Disaster management	Yes	Yes
<b>Municipal Health</b>	<b>Yes</b>	<b>Yes</b>
Municipal health: Regulation & facilitation	Yes	No
Municipal health: Service provision	No	Yes



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Licensing and control of undertakings that sell food to the public: Regulation	No	No
Licensing and control of undertakings that sell food to the public: Service provision	No	No
Noise pollution: Regulation & facilitation	No	No
Noise pollution: Service provision	No	No
Pounds: Regulation & facilitation	No	Yes
Pounds: Service provision	No	No
Accommodation, care and burial of animals: Regulation & facilitation	No	Yes
Accommodation, care and burial of animals: Service provision	No	No
Licensing of dogs: Regulation & facilitation	No	Yes
Licensing of dogs: Service provision	No	No
<b>Primary Health Care</b>	<b>No</b>	<b>No</b>
Primary Health Care	No	No
<b>Environmental Management</b>	<b>Yes</b>	<b>Yes</b>
Environmental planning	Yes	Yes
Bio-diversity management	Yes	Yes
Climate change interventions	No	Yes
Alternative energy planning	No	Yes
Air pollution	Yes	No
<b>Economic Development</b>	<b>Yes</b>	<b>Yes</b>
Local tourism: Regulation & facilitation	Yes	No
Local tourism: Service provision	No	No
Markets: Regulation & facilitation	No	No
Markets: Service provision	No	No
Abattoirs: Regulation & facilitation	No	No
Abattoirs: Service provision	No	No
Trading regulations: Regulation & facilitation	No	Yes
Trading regulations: Service provision	No	No
Street trading: Regulation & facilitation	No	Yes
Street trading: Service provision	No	No
Billboards and the display of advertisements in public places: Regulation & facilitation	No	Yes
Billboards and the display of advertisements in public places: Service provision	No	No
Fences and fences: Regulation & facilitation	No	Yes
Fences and fences: Service provision	No	No
Control of undertakings that sell liquor to the public: Regulation & facilitation	No	Yes
Control of undertakings that sell liquor to the public: Service provision	No	No
Local economic development: Regulation & facilitation	Yes	Yes
Local economic development: Service provision	No	No
<b>Housing</b>	<b>No</b>	<b>Yes</b>
Housing facilitation (managing developers, housing lists etc)	No	Yes
Acting as developer of housing	No	Yes
Landlord (owning and managing housing stock)	No	Yes
<b>Traffic and Policing</b>	<b>No</b>	<b>Yes</b>
Traffic and municipal police	No	Yes
Community safety	No	No
Control of public nuisances	No	Yes
Driver licensing	No	Yes
Motor vehicle licensing	No	Yes

**Table 5. POWERS AND FUNCTIONS PERFORMED**





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The review of the IDP acknowledged the vision, mission and values of the municipality and kept the priorities in tact. The IDP draws on the findings and recommendations contained in the comprehensive Spatial Development Framework presented to the Municipality in January 2013 and adopted by Council in March 2014. The Naledi Local Municipality vision for the area is highlighted:

**“To establish Naledi as an integrated regional economic node that is focused on intelligent support for business and community development embedded in a sustainable green environment.”**

Based on the needs analysis conducted during previous IDP processes and the Spatial Development Framework (SDF) 2013, the following key strategic interventions were confirmed and adopted in the Integrated Development Plan, May 2015:

- 1. Regional development hub**
- 2. CBD revitalisation**
- 3. Development of the cattle industry**
- 4. Growth of the game farming, hunting and eco-tourism industries**
- 5. Maximise revenue opportunities**
- 6. Uninterrupted basic service delivery**
- 7. Attract a major renewable energy solar project**

These strategic interventions will become the main corporate objectives of the Naledi Local Municipality in future planning.



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## **2.4 CORPORATE GOVERNANCE**

### ***Risk Management*** □

#### ***Risk Governance***

The Naledi Local Municipality has adopted the Dr. Ruth Segomotsi Mompati District Framework & Policy 2014/2015 (195/2014) which is in line with the Public Sector Risk Management Framework as its risk management standard.

The Dr. Ruth Segomotsi Mompati District Municipality's Risk Management Unit renders support for Risk Management in terms of Section 88 of the Municipal Systems Act, 32 of 2000 to the Naledi Local Municipality.

The Naledi Local Municipality reviews the risk register annually and update this risk register quarterly and develops a risk management strategy to direct the institution's risk management priorities. Line management are responsible for identifying, evaluating and managing both risks and opportunities in their responsibility areas, with technical and operational support provided by the Dr. Ruth Segomotsi Mompati District Municipality's risk management unit.

The Dr. Ruth Segomotsi Mompati District Municipality's risk management unit also maintains the consolidated institutional risk register and reports thereon. The Audit & Performance Committee in the absence of Risk Management Committee provides governance oversight over the entire system of risk management and furnishes the Accounting Officer and Council with reports of its findings and recommendations. The Audit Committee provides independent oversight over the system of risk management.

#### ***Risk Management Committee***

The Naledi Local Municipality has established a Risk Management Committee to assist the Accounting Officer and the Audit Committee in executing their respective responsibilities concerned with risk management. The committee operates under terms of reference as per adopted Dr. Ruth Segomotsi Mompati District Risk Management Charter Resolution Number 247/2014.

The Committee comprises the DRSM Risk Management Unit and selects members of the Naledi Local Municipality senior management. As per its terms of reference the Committee should meet four (4) times a year. The Committee meetings during the financial year under review were attended as follows:



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Member	Position	Scheduled Meetings	Attended
Adv. A. Bam-Smith	DRSM RMU	4	4
Mr M. Chaka	DRSM RMU	4	4
Mr. O. Batsietseng	DRSM RMU	4	4
Mr. R. Minny	Manager: PMS	4	3
Mr. Z Kana	PMS Officer	4	4
Mr.K. Gasebue	Manager: MPAC	4	2

**Table 6. RISK MANAGEMENT COMMITTEE**

### *Risk management process*

During the period under review, The Naledi Local Municipality compiled an assessment register on the Top Layer SDBIP.

The Risk Assessment was facilitated and co-ordinated on the 18<sup>th</sup> June 2014. First update was conducted on 17<sup>th</sup> September 2014. The second update of the Risk Register was conducted on 10 December 2014 and the third updated Risk Register was conducted on 13<sup>th</sup> April 2015.

Both internal and external conditions that may impede the achievement of the goals expressed in the strategic plans were identified and evaluated. Based on the registers the Dr. Ruth Segomotsi Mompati District Municipality's Risk Management Unit compiled the Risk Management Report containing a strategy to manage the factors, which absent a deliberate and conscious strategy to manage them, could increase the institution's risk profile.

The Dr. Ruth Segomotsi Mompati District Municipality internal audit plan for the Naledi Local Municipality included audits designed to test the adequacy, effectiveness and economy of the internal control systems to counteract the effects of the significant risk factors.

### *Impact on institutional performance*

During the period under review, the Naledi Local Municipality in co-ordination with Dr. Ruth Segomotsi Mompati District Municipality's Risk Management unit assessed the effectiveness of its system of risk management.

The areas requiring improvement are receiving the required attention. The Naledi Local Municipality risk management efforts are contributing positively to the Naledi Local Municipality performance. On a residual basis, meaning that after mitigating actions were taken, the Naledi Local Municipality risk profile based on the main categories of risk is as follows:



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RISK CATEGORY	Assessment	1 <sup>st</sup> Update	2 <sup>nd</sup> Update	3 <sup>rd</sup> Update
Service Delivery	13.05	13.33	12.48	12.56
Third Party Performance	16.45	12.24	11.48	11.90
Revenue Collection	13.53	11.79	11.65	10.2
Compliance	11.10	10.98	11.79	9.25
Economic Environment	10.95	9.75	10.92	9.08

Key:

	Extreme risk
	High risk
	Moderate risk
	Low risk
	Minimum risk

**Table 7. RISK PROFILE FOR 2014/15**

***Anti-corruption and fraud*** □

Anti corruption is managed by the office of the Speaker. The Municipality adopted an anti corruption policy and established a committee which report to the Speaker.

***Supply Chain Management***

The supply chain management system is implemented according to the Municipal Finance Management Act, No56 of 2003.

***By-laws*** □

During the previous financial year, Naledi Local Municipality made great progress in as far as asserting its executive and legislative authority as envisaged in section 11 of the Municipal Systems Act. The municipality enacted two (2) very crucial by-laws, namely Waste Management and Advertising Signs by-laws. The said by-laws were adopted by Council in terms of Resolution 164/2015 and are due for proclamation through the Government Gazette. Such enactment is a milestone for Naledi Local Municipality as the municipality is giving effect to its powers to pass laws that govern its area of jurisdiction.

***Websites*** □

The Naledi Local Municipality website is active and relevant material and legislated documents that need to be made public are placed on <http://www.naledilocal.co.za>



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***Public Satisfaction on Municipal Services***

A very limited satisfaction survey was conducted by Department of Community Service, but the success of the survey is not documented well and needs to be reviewed. In general the public was satisfied during the financial year as evident in the feedback received from IDP & PMS ward meetings as well as limited protests compared to other municipalities in the province (refer to Back to Basics reports).

***Municipal oversight committees***

The Municipal Public Accounts Committee (MPAC) is chaired by member of the ruling party.

MPAC has managed to ensure public participation is enhanced through its oversight function by ensuring that public is invited during the consideration of the Annual report.

The committee engaged with community in various wards to consider their views on progress made by Municipality and ensured that community were invited to council meeting when oversight report was considered.

MPAC members participate considerable well in portfolio committees of council and other council activities where public participations is undertaken.

## **2.5 KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION**

The following table provides an overview of the annual performance targets and actual performance of the municipality with relation to KPA 4: GOOD GOVERNANCE AND PUBLIC PARTICIPATION and addresses the following corporate objectives:

- Provide Municipal Planning and Performance Management
- To Promote Good Governance and Community Participation
- To ensure effective and efficient internal and external communication

The municipality didn't set separate targets for governance; performance management and community participation within the service delivery and budget implementation plan (SDBIP) apart from reporting on legislated functions and setting targets for Council meetings. The approach was to accept the legislated norms and standards as the targets. The amended SDBIP set a target to report on COGTA back to basics indicators which deal with governance indicators and these reports are available upon request.



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Municipal Manager's Department								
Objective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
To ensure the implementation of legislated powers and functions	Monthly Report	New	Seven monthly reports according to COGTA format	7 Reports	<u>Target achieved</u> Seven monthly reports according to COGTA format completed	N/A	N/A	Monthly COGTA reports
To ensure compliance with legislative requirements	Improved report from Auditor-General	Various concerns raised by AG in terms of compliance with legislation	Reduce concerns raised by AG for 2013/14 report significantly <sup>1</sup>	Reduce concerns raised by AG for 2013/14 report significantly and obtain clean report for 2014/15	<u>To be confirmed in November 2015</u>  AG action plan developed	N/A	N/A	Interim-AG audit action plan
To report on the National General Key Performance Indicators	The number of people from employment equity target groups employed	32 people (84%)	85% from employment equity target groups employed in	The number of people from employment equity target groups	<u>Target Achieved: 85%</u>	N/A	N/A	Report on the Implementation of the Approved Employment Equity Plan

<sup>1</sup> The 2015/16 financial year will seek total compliance with all legislation and this can be verified in the AG Report received in November 2016.



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Municipal Manager's Department								
Objective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
	in the three highest levels of management in compliance with a municipality's approved employment equity plan		the three highest levels of management	employed in the three highest levels of management				Submitted to Council on 08 July 2015 (100%)

**Table 8. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**



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Corporate Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Internal Business Perspective</b> To provide agendas and minutes of all scheduled and legislated Special Council Meetings in the agreed timeframe	No. of Council & Legislated Special Council Meetings held	Achieved	6 Meetings by 30 June 2015	6 Signed Agendas	<b><u>Target achieved</u></b>  <u>10 X Council meetings held</u> 5 x General Council meetings: - 29/08/2014 -16/10/2014 -02/12/2014 -31/03/2015 -30/06/2015 5 x Special Council meetings -16/10/2014 -31/01/2015 -13&27/02/2015 -27/03/2015 28/05/2015	N/A	N/A	Signed council agenda and attendance register
<b>Internal Business Perspective</b> To provide agendas and	No. of Council & Legislated	Achieved	6 Meetings by 30 June 2015	6 set of Signed Minutes	<b><u>Target achieved</u></b>	N/A	N/A	Signed council minutes





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Corporate Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
minutes of all scheduled and legislated Special Council Meetings in the agreed timeframe	Special Council Meetings held				6 signed minutes of council meetings			
<b>Powers and Functions</b> To provide appropriate corporate services to enable the organisation to perform its powers and functions.	Assessment on Powers and Functions conducted	New	Report with recommendations by 30 June 2015	Report with recommendations by 30 June 2015	<b>Target achieved</b>  Report with recommendations on powers and functions	N/A	N/A	Assessment report
<b>Legislative Requirement</b> Ensure good governance within the Municipality	Reduction in the number of exceptions from Auditor-General	18 Exceptions for 2013/2014	100% Reduction of concerns raised by AG for 2013/14	Reduce concerns raised by AG for 2013/14	<b>Target achieved</b>  AG concerns addressed in Corporate services department	N/A	N/A	Report

**Table 9. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**



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Council adopted its schedule of meetings aligned to the budget cycle of the municipality.

None of the four scheduled council meetings has been abandoned or rescheduled because of not forming a quorum, attendance of council meetings by council can be described as fully functional.

The table below outlines the dates of scheduled and Special Council meetings for the financial year ending 30 June 2015

<b>10 X Council meetings held</b>
5 x General Council meetings: -
- 16/10/2014
- 02/12/2014
- 31/03/2015
- 30/06/2015
5 x Special Council meetings
- 16/10/2014
- 31/01/2015
- 13&27 /02/2015
- 27/03/2015
- 28/05/2015

**Table 10. DATES OF THE SCHEDULED AND SPECIAL MEETINGS OF COUNCIL**

Council has five (5) section 79 committees including MPAC but excluding Executive Committee. All committees are scheduled to meet monthly and have delegated Authority in terms of the Delegation register for purposes of enhancing efficiency.

Table below outlines the dates when the meetings of section 79 committees were held.

<b>COUNCIL COMMITTEE MEETINGS</b>					
<b>EXCO</b>	<b>FINANCE</b>	<b>HR</b>	<b>GORVENANCE</b>	<b>INFRA</b>	<b>MPAC</b>
28/07/2014	15/07/2014	09/07/2014	10/07/2014	08/07/2014	29/07/2014
30/09/2014	14/08/2014	07/08/2014	08/08/2014	06/08/2014	21/08/2014
28/10/2014	15/10/2014	10/09/2014	13/10/2014	09/09/2014	29/09/2014
22/01/2015	13/11/2014	09/10/2014	12/11/2014	08/10/2014	27/10/2014
26/02/2015	20/01/2015	11/11/2014	14/01/2015	10/11/2014	28/11/2014
23/03/2015	17/02/2015	13/01/2015	11/02/2015	12/01/2015	27/01/2015
23/04/2015	16/03/2015	10/02/2015	11/03/2015	09/02/2015	06/02/2015
27/05/2015	14/04/2015	10/03/2015	13/05/2015	09/03/2015	24/03/2015
23/06/2015	18/05/2015	15/04/2015	10/06/2015	09/04/2015	27/03/2015
	17/06/2015	13/05/2015		12/05/2015	29/04/2015
		10/06/2015		09/06/2015	28/05/2015
					18/06/2015

**Table 11. SCHEDULE OF MEETINGS OF SEC 79 COMMITTEES**



## CHAPTER 3 SERVICE DELIVERY PERFORMANCE

### 3.1 INTRODUCTION

Basic Service Delivery and Infrastructure Development is linked with growth, investment, poverty reduction, social cohesion and job creation.

This chapter reflects the performance of the Municipality with regard to the Basic Service Delivery and Infrastructure Development key performance area looking specifically at the following services:

- Water Services;
- Sanitation Services;
- Roads Services;
- Electricity Services;
- Project Management Services;
- Town Planning;
- Fleet Management Services;
- Business Maintenance;
- Housing;
- Law enforcement services;
- Licensing services;
- Fire services and disaster services;
- Refuse removal services;
- Leon Taljaard Game Resort; and
- Parks Services

Basic Service Delivery and Infrastructure Development is linked with growth, investment, poverty reduction, social cohesion and job creation.

To provide the context a snapshot of services maintained by Naledi Local Municipality is provided:

- 16444 households have piped water in either the dwelling or yard
- 14255 households use electricity for lighting, cooking or heating
- 15297 households make use of flush, chemical and dry toilets
- 12337 households refuse are collected on a daily basis
- 15324 households live in formal dwellings



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The following backlogs with regard to water, electricity, sanitation, refuse and housing exists:

- Water = 1 056 households;
- Electricity = 6 349 households;
- Sanitation = 3 074 households;
- Refuse = 6237 households;
- Housing = 3250 households.

The following are community cemeteries owned by Naledi Local Municipality:

- 2 Colridge
- 2 Huhudi
- 1 Vryburg
- 2 Stella

The following are community halls owned by Naledi Local Municipality:

- Huhudi
- Colridge
- Kismet (not functional)
- Banquet Hall

The following are sports grounds owned by Naledi Local Municipality:

- Huhudi
- Colridge (not functional)
- Kismet (not functional)
- Gymnasium

The swimming pools owned by Naledi Local Municipality:

- Huhudi
- Vryburg
- Colridge
- Swartfontein

The libraries maintained and managed by Naledi Local Municipality are:

- Huhudi
- Vryburg
- Colridge
- Devondale
- Dithakwaneng
- Stella
- Joe Morolong Hospital



### **3.2 KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT**

The following table provides an overview of the annual performance targets and actual performance of the municipality with relation to KPA 2: BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT and addresses the following corporate objectives:

- To provide Safe Traffic flow
- To Provide Adequate Housing
- Provision Disaster rescue and fire services
- Provide Disaster Management Services
- Provisions of access to basic refuse removal services
- To provide recreational facilities
- To provide swimming pool facility
- To provide sports facilities
- To provide adequate water consistently to communities
- To provide sanitation to communities
- To provide Roads
- To provide electricity
- Provision and monitoring Municipal Projects
- To Provide Adequate Housing
- To provide efficient fleet management services
- Provide maintenance for municipal properties



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Financial Perspective</b> Appointments of service providers and contractors should not compromise the financial sustainability of the Naledi Local Municipality	Funding sourced for capital projects from external sources	R16million MIG & R12million INEP funding for 2014/15	R16.9million MIG Funding for 2015/16 financial year Lobby other Funding for 2015/16 financial year	Total amount of funding secured (in R million) MIG & Other	<u><b>Target achieved</b></u>  R16million MIG & R12million INEP funding for 2014/15  Additional R14million was secured for good performance in terms of MIG expenditure	N/A	N/A	Gazette and proof of payment
<b>Innovation, Learning &amp; Growth Perspective</b> Employees should be encouraged to suggest smarter ways of maintaining infrastructure and doing work. Minor capital payments for major	Managers & Supervisors reports on the difference in outputs projected	New	Improve maintenance outputs by each manager/supervisor in the department	Report by each manager/supervisor regarding improved maintenance	<u><b>Target partly achieved</b></u>  Maintenance plans for water pumps and boreholes.	Lack of resources hampers plans. Risks have to be mitigated in terms of available	Develop maintenance plans in 2015-2016	Borehole maintenance plan



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
increases in efficiency should be encouraged	as a result of intervention as well as monitoring report after a reasonable time lapse					resources		
<b>Uninterrupted Basic Service Delivery</b>	Bid specifications are regarded as high quality documents by all service providers	Bid specifications can be improved upon	Bid specifications verified/drafted by a professional expert	Quality bid specifications receive general approval from service providers	<b><u>Target achieved</u></b>  Bid specifications verified/drafted by a professional expert	N/A	N/A	Signed bid specifications
<b>Uninterrupted Basic Service Delivery</b>	Signed off projects finished according to bid specifications.	Uncompleted projects.	All projects completed according to bid specifications	Project certificates for all projects finished according to bid specifications	<b><u>Target achieved</u></b>  All projects completed according to bid	N/A	N/A	Project completion certificates



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
					specifications			
<b>Uninterrupted Basic Service Delivery</b>	Maintenance Plan and monitoring certificates	Maintenance plan not tailored to Naledi Local Municipality resources	Compile and implement a detailed maintenance plan for community facilities & infrastructure (making use of only current human resources)	Maintenance report cards	<b><u>Target not achieved</u></b>  No maintenance plans or maintenance cards complete	In progress of developing maintenance plans	Will be completed in 2015-2016 financial year	N/A
<b>Attract a major renewable energy solar project</b>	Report highlighting key initiatives by the municipality and other stakeholders	New	Lobby stakeholders and ensure that Naledi Local Municipality create an enabling environment for a large scale solar renewable energy project	Report	<b><u>Target achieved</u></b>  Report on lobbying stakeholders regarding renewable solar energy projects	N/A	N/A	Report





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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
			in its area.					
<b>National General Key Performance Indicator (Corporate – District Function)</b>	The % of households with access to basic level of water.	94.5%	To report on district function of providing 994 additional households with access to basic level of water	Report on number of additional households with access to basic level of water	<b>Target not achieved</b> 994 additional households not provided with access to basic level of water	District function and also dependent on housing development.	Formalisation of informal areas	Report
<b>National General Key Performance Indicator (Corporate – District Function)</b>	The % of households with access to basic level of sanitation.	79.9%	To report on district function of providing 994 additional households with access to basic level of water	Report on number of additional households with access to basic level of sanitation	<b>Target not achieved</b> 994 additional households not provided with access to basic level of sanitation	District function and also dependent on housing development.	Formalisation of informal areas	Report
<b>National General Key Performance Indicator</b>	The % of households with access to basic level of	83.4%	To provide 994 additional households with access to basic level of	Number of additional households with access to basic level of	<b>Target not achieved</b> 454HH connected to	Financial constraints	Target to be revised accordingly	N/A



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
	electricity		electricity	electricity	grid			
<b>National General Key Performance Indicator</b>	Number of jobs created through municipality's local economic development initiatives including capital projects	572 jobs	600 jobs created through municipality's local economic development initiatives including capital projects	Number of jobs created through municipality's local economic development initiatives including capital projects	<b>Target not achieved</b>  498 jobs created	N/A	Improve on number of jobs created in next financial year.	N/A
<b>Powers and Functions</b>	Quarterly operational reports from each manager, deputy manager and supervisor	Haphazard and inconsistent reports	Report according to standardised format indicating corrective measures taken	Consistent quarterly operational reports with highlights and corrective measures from each manager, deputy manager	<b>Target achieved</b>  Consistent quarterly operational reports with highlights and	N/A	N/A	Monthly reports from managers



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
	in department			and supervisor in department	corrective measures from each manager, deputy manager and supervisor in department			
<b>Powers and Functions</b>	Verification report	New	Verify, quantify and qualify the effectiveness and efficiency in which each legislative power and function is performed.	Verification report	<b><u>Target achieved</u></b>  1 verification report from legal unit - Report with recommendations on powers and functions	N/A	N/A	Assessment report on powers and functions
<b>Legislative Requirement</b>	Improved report from Auditor-	Various concerns raised by	Reduce concerns raised by AG for	Reduce concerns raised by AG for	<b><u>Target achieved</u></b>	N/A	N/A	AG audit action plan



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Technical Services and Facilities Management Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
	General	AG in terms of compliance with legislation	2013/14 report significantly <sup>2</sup>	2013/14 report significantly and obtain clean report for 2014/15	AG audit action plan			

**Table 12. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**

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<sup>2 2</sup> The 2015/16 financial year will seek total compliance with all legislation and this can be verified in the AG Report received in November 2015.



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Customer Perspective</b> The community is the client of the department and budgeted projects need to be delivered and maintenance needs to occur according to an agreed framework.	Completed ward councillor satisfaction questionnaire; improvement report; and report with key issues, and actions.	New	To obtain quarterly satisfaction questionnaires from more than 75% of ward councillors and prepare quarterly reports on improvements, key issues, and actions.	Completed :  (a) ward councillor satisfaction questionnaire (from more than 75% of ward councillors)	<u>Target not achieved</u> Reporting template developed from data analysis of the structured questionnaire	None provided	None provided	Housing unit reporting template



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Innovation, Learning &amp; Growth Perspective</b> Employees should be encouraged to suggest smarter ways of maintaining infrastructure and doing operational work. Minor capital payments for major increases in efficiency should be encouraged	Managers & Supervisors reports on the difference in outputs projected as a result of intervention as well as monitoring report after a reasonable time lapse	New	Improve maintenance outputs by each manager/supervisor in the department	Report by each manager/supervisor regarding improved maintenance Improve maintenance	<u>Target achieved</u>  Maintenance plans developed	N/A	N/A	Maintenance plans



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Powers and Functions</b>	Quarterly operational reports from each manager, deputy manager and supervisor in department	Haphazard and inconsistent reports	Consistent quarterly operational reports with highlights and corrective measures from each manager, deputy manager and supervisor in department	Report according to standardised format indicating corrective measures taken	<u><b>Target achieved</b></u>  Quarterly reports from managers completed	N/A	N/A	Quarterly reports



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Powers and Functions</b>	Verification report	New	Verify, quantify and qualify the effectiveness and efficiency in which each legislative power and function is performed.	Verification report	<u><b>Target achieved</b></u>  1 verification report from legal unit - Report with recommendations on powers and functions	N/A	N/A	Assessment report on powers and functions





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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Growth of the game farming, hunting and eco-tourism industries</b>	Report highlighting key initiatives by the municipality and other stakeholders	New	Agree on key initiatives to be undertaken by the municipality and other stakeholders	Report	<u><b>Target achieved</b></u>  Draft management plan/ecological management plan on Leon Taaljard Nature Reserve	N/A	N/A	Draft management plan/ecological management plan on Leon Taaljard Nature Reserve
<b>Legislative Requirement</b>	Improved report from Auditor-General	Various concerns raised by AG in terms of compliance with legislation	Reduce concerns raised by AG for 2013/14 report	Reduce concerns raised by AG for 2013/14 report significantly and obtain clean report for 2014/15 significantly <sup>3</sup>	<u><b>Target achieved</b></u>  AG audit action plan developed	N/A	N/A	AG audit action plan

<sup>3</sup> The 2015/16 financial year will seek total compliance with all legislation and this can be verified in the AG Report received in November 2015.



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>National General Key Performance Indicator</b>	The % of households with access to basic level of solid waste removal	56.5%	To provide 3000 additional households with access to basic level of solid waste removal	Number of additional households with access to basic level of solid waste removal	<u>Target partly achieved</u>  454 households' at Ext 25	Construction underway at Extension 28	To provide additional solid waste removal in 2015-2016	Job card/memo confirming job cards
<b>Maximise Revenue Opportunities</b>	Funding of legislated functions	Motor Vehicle Registration and Licensing (MVRA), Vehicle Testing Station (VTS) and Driving Licence Testing Centre (DLTC) functions are performed on an agency basis under a Service Level Agreement (SLA) entered into on 28 August 2009 by the Head of Department (HOD) Provincial Department of Human Settlements, Public Safety and Liaison and the Municipal Manager Naledi Local	The Municipality is entitled to 20% of revenue collected from MVRA excluding transaction fee of R36-00 payable to Road Traffic Management Corporation (RTMC), 100% from VTS after paying 3% to South African Bureau of Standards (SABS) for the grading of the Testing Station Facility payable half	The office Municipal Manager, Chief Financial Officer, Executive Manager Community Services and Manager Traffic and Licensing to commence discussions around the review of the SLA, and the possible	<u>Target achieved</u>  Various meetings and letters to department	N/A	N/A	Engagement letters



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Community Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
		<p>Municipality.</p> <p>The funding for all the three (3) Licensing Sections is borne from the Municipality's operational budget.</p>	yearly, and 100% from DLTC after paying Prodiba an amount of R75-00 for each driving licence card produced by them.	increase of the 20% from revenue collected by MVRA to reduce the burden of Licensing Services running costs.				

**Table 13. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**



### **3.3 KPA 5: LOCAL ECONOMIC DEVELOPMENT**

The municipality set high level targets for its LED initiatives. With relation to the cattle industry and promoting Vryburg as a regional hub we can report that Vryburg was identified as a node to establish an Agri-park as part of a presidential initiative. It is not reported below as confirmation was only received after the end of the financial year.



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Municipal Manager's Department								
Objective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>To promote CBD Revitalisation</b>	Investment in Vryburg CBD	New	<i>Lobby National Government for funding the drafting of Vryburg Town Revitalisation strategy that address the IDP questions</i>	Meetings with National Government  Letter to National Government	<u><b>Target achieved</b></u>  Meetings held with National government	N/A	N/A	Email confirmations of meetings
<b>To lobby stakeholders that could enable Vryburg as a Regional Development Hub</b>	Meeting minutes Strategy and implementation document	LED Strategy	Meeting minutes Strategy and implementation document	Meeting minutes or correspondence with key stakeholders to prepare for a Strategy and implementation plan to create a Regional Hub.	<u><b>Target achieved</b></u>  Meetings with stakeholders	N/A	N/A	Email confirmation of meetings



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Municipal Manager's Department								
Objective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>To promote the Development of the Cattle Industry</b>	Report recommending interventions and how they should be funded.	LED Strategy	Progress Report	Naledi's Local Economic Development Strategy lists six projects which should be investigated. Refer to IDP.	<u><b>Target achieved</b></u>  Progress report completed	N/A	N/A	Email confirmation of meetings
<b>To promote the Growth of the game farming, hunting and eco-tourism industries</b>	Report highlighting key initiatives by the municipality and other stakeholders	New	Agree on key initiatives to be undertaken by the municipality and other stakeholders	Report	<u><b>Target achieved</b></u>  Progress report. Draft business plan for Leon Taaljad	N/A	N/A	Email confirmation of meetings. Draft business plan for Leon Taaljad

**Table 14. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**



## CHAPTER 4 ORGANISATIONAL DEVELOPMENT PERFORMANCE

The main objective of this key performance area is to ensure institutional capacity and administrative support to the Municipality in order to deliver its mandate.

This chapter reflects the performance of the Municipality with regard to the Municipal Transformation and organizational development key performance area looking specifically at the following services:

- Human Resource Management Services;
- Legal Services;
- Human Resource Development Services;
- Information Technology Services;
- Labour Relations Services; and
- Corporate Administration and Council Support Services

The Administrative Governance Structure comprise of four (4) municipal departments aligned to the municipal functions and responsibilities. Each department is led by a Senior Manager appointed in terms of Section 56 of the Municipal Systems Act as Executive Managers reporting directly to the Accounting Officer.

Each Executive Manager interphase on issues related to the municipal function(s) relevant to the council committee and its admin unit.

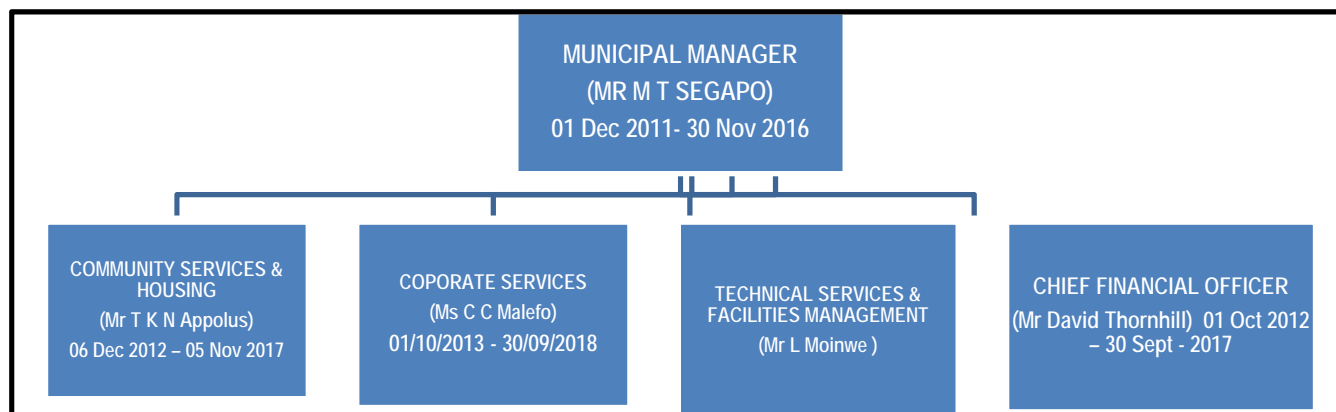


Figure 1: ADMINISTRATIVE STRUCTURE OF COUNCIL



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The following disciplinary cases were opened during the 2014/15 financial year:

<b>STATUS REPORT: LABOUR RELATIONS MISCONDUCT CASES FOR 2014-2015</b>			
<b>No.</b>	<b>RANK</b>	<b>MISCONDUCT LODGED</b>	<b>STATUS OF MISCONDUCT</b>
1	Assistant Manager Vehicle and Testing	Gross Dishonesty	Matter Finalised
2	Electrician	Gross Dishonesty/Fraud	Matter Finalised
3	Capital Worker: Achivers	Gross Dishonesty and breach of the Municipality confidentiality	Matter Finalised
4	Capital Worker: Achivers	Gross Dishonesty and breach of the Municipality confidentiality	Matter not Finalised
5	Special Workermen: Roads	Dishonesty	Matter Finalised
6	Secretary: Stella	Negligence	Matter Finalised
7	Capital Worker: Finance	Involved in an accident with Municipality vehicle and fail to report/illegal connection	Matter Finalised
8	Clerk: Indegint	Assault	Matter Finalised
9	Contract Worker: Examiner	Fraud and Corruption	Matter Finalised

**Table 15. DISCIPLINARY CASES STARTED IN 2014/15 FINANCIAL YEAR**

The following grievance cases were finalised during the 2014/15 financial year:

<b>GRIEVANCE CASES 2014- 2015</b>					
<b>RANK</b>	<b>RACE</b>	<b>GENDER</b>	<b>GRIEVANCE LODGED</b>	<b>STATUS OF THE GRIEVANCE</b>	<b>OUTCOME</b>
Special Workman	Black	Male		Resolved	Resolved
Clerk	Black	Female	Payment of notch increase/ Unfair labour practice	Resolved	Resolved
	Black	Female	Unfair labour practice		
Clerk Indigent	Coloured	Male	Intimidation	Resolved	Resolved

**Table 16. GRIEVANCE CASES FINALISED IN 2014/15 FINANCIAL YEAR**





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#### **4.1 KPA 1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT**

The following table provides an overview of the annual performance targets and actual performance of the municipality with relation to KPA 1 MUNICIPAL TRANSFORMATION AND ORGANISATIONAL DEVELOPMENT and addresses the following corporate objectives:

- To monitor and assess Performance Management
- Promote Accountability and Efficient Administration
- Achieve sound labour climate
- Employment equity
- Enhance Employees Skill
- Promote technology efficiency
- Achieve sound labour relations management
- Provide adequate property management and administration



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Corporate Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Customer Perspective</b> To provide human resource management services  (All other departments are the clients of the department and effective administrative and record keeping needs to enable the institution to perform its powers and functions)	Adopted Human Resource Strategy	New	Adopted HR Strategy by March 2015	Council adopted Human Resource Strategy	<u>Target partly achieved</u>  Draft Human resource strategy in place	To be finalised in the second quarter of 2015-2016	To be finalised in the second quarter of 2015-2016	Draft HR strategy
<b>Innovation, Learning &amp; Growth Perspective</b> To provide Human Resource Management Service (The department should investigate mentoring systems and efficiency improvement mechanisms within the organization.)	WSP Evaluation Intervention Report	New	June 2014	WSP Evaluation Intervention Report	<u>Target not achieved</u>  WSP Evaluation Intervention Report not completed	Non submission of evaluation reports by staff members who attend training in 2013-2014	Target to be removed	N/A



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Corporate Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Internal Business Perspective</b> To provide agendas and minutes of all scheduled and legislated Special Council Meetings in the agreed timeframe	Developed, reviewed and evaluated Job descriptions	New	Process completed by June 2014	MM approved job descriptions and evaluations report	<b><u>Target partly achieved</u></b>  82% job descriptions finalised	Delays in the submission of job descriptions by other departments and offices	18% job descriptions to be finalised in the first quarter of 2015-2016	Report on finalised job descriptions
<b>Internal Business Perspective</b> Corporate service should implement and upgrade proper records keeping to ensure complete relevant and accurate information retrieval	No. of Main Records Series Backlog cleared	New	18 Series of backlog cleared by 30 June 2015	Backlog cleared	<b><u>Target achieved</u></b>  18 series of backlog cleared by 30 June 2015	N/A	N/A	18 series
<b>Internal Business Perspective</b> To provide agendas and minutes of all scheduled and legislated Special Council Meetings in the agreed timeframe	No. of Main Records Series Backlog cleared	New	Centralized Records System by end of June 2015.	Functional Records Management System	<b><u>Target achieved</u></b>  Centralised records system	N/A	N/A	Implementation report



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Corporate Services Department								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Powers and Functions</b> To provide appropriate corporate services to enable the organisation to perform its powers and functions.	No. of Operational Reports submitted and agreed corrective measures taken	4 Quarterly Reports submitted	4 Quarterly reports on: Administration Human Resources Records Information Technology Legal Support	4 x Quarterly Reports on Administration Human Resources Records Information Technology Legal Support and agreed corrective measures taken	<u><b>Target achieved</b></u>  4 Quarterly reports on: Administration Human Resources Records Information Technology Legal Support completed and submitted to portfolio committee	N/A	N/A	Council resolutions

**Table 17. PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGETS**



## CHAPTER 5 FINANCIAL PERFORMANCE

Municipal Financial Viability deals with managing the finance of the Municipality specifically looking at areas such as maximizing revenue and managing assets.

This chapter reflects the performance of the Municipality with regard to the Municipal Financial Viability key performance area looking specifically at the Budget and Finance services. The function of this unit entails the following:

- Collects the budgeted revenue and decrease the outstanding debt;
- Ensures the accessibility and maintenance of pay points;
- Ensures that all the indigents registered are receiving free basic services (Updating the indigent register);
- Develop the budget process plan;
- Submits the monthly budget statements reports to the council (Section 71);
- Manage Municipal Assets;
- Pay creditors on time; and
- Develop and implement relevant financial policies

### 5.1 KPA 3: MUNICIPAL FINANCIAL VIABILITY

This chapter reflects the performance of the municipality with regard to KPA 3: MUNICIPAL FINANCIAL VIABILITY and the following table provides an overview of the annual performance targets and actual performance of the municipality with relation to the following corporate objectives:

- To monitor and assess Performance Management
- Enhance and maximize revenue
- To maintain sound and sustainable financial management
- To maintain sound and sustainable financial management
- Promote access to free basic services to communities
- Achieve clean audit

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Customer Perspective</b> All other departments and the community are the clients of the department. The support of the department needs to be effective and efficient within the constraints of the financial goals	Report on expectations from other municipal departments	New	Annual report on expectations of municipal departments	Report	<u>Target not achieved</u>  Report not generated	Uncertain about format of report	To liaise with PMS section to determine format and methodology	N/A
	Completed departmental satisfaction questionnaire; improvement report; and report with key issues, and actions.	New	To obtain quarterly satisfaction questionnaires from more than 75% of other departments, executive management and managers/deputy managers and prepare quarterly reports on improvements, key issues, and actions.	Completed :  departmental, executive management and managers/deputy managers satisfaction questionnaire (from more than 75% of ward councillors)	<u>Target not achieved</u>  Report not generated	Uncertain about format of report	To liaise with PMS section to determine format and methodology	N/A
<b>Financial Perspective</b> The actions of the department should not compromise	Audited Financial Statements	Compliance	December 2014	Audited Financial Statements	<u>Target achieved</u>  AFS audited and audit	N/A	N/A	Audited AFS, AG management report and AG

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
accountability and careful management of the financial sustainability of Naledi Local Municipality					report received			audit report
	Monthly Budget Reports	Compliance	Monthly	Monthly Budget Reports (3 per Q)	<u>Target achieved</u> 3 monthly budget reports submitted to council	N/A	N/A	Monthly budget reports
<b>Innovation, Learning &amp; Growth Perspective</b> The department should continuously improve the effectiveness and efficiency of financial databases, record keeping and procedures to gain maximum benefits from available funding.	Report on improvements regarding the effectiveness and efficiency of financial databases, record keeping and procedures	New	Quarterly report	Report on improvements as agreed to in previous quarter reporting	<u>Target not achieved</u> Report not generated – financial databases and internal controls are however improved on an on-going basis			N/A

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Internal Business Perspective</b> The department should continue to be the benchmark in terms of financial accountability as reflected in the Auditor-General report.	Report from AG	Unqualified Audit Opinion from AG	Unqualified Audit Opinion from AG	Unqualified Audit Opinion from AG	<u><b>Target achieved</b></u>  Unqualified audit opinion as per AG audit report	N/A	N/A	Unqualified audit report
<b>Powers and Functions</b>	Quarterly operational reports from each manager, deputy manager and supervisor in department	Haphazard and inconsistent reports	Consistent quarterly operational reports with highlights and corrective measures from each manager, deputy manager and supervisor in department	Report according to standardised format indicating corrective measures taken	<u><b>Target not achieved</b></u>  Report not generated	Uncertain about format of report	To liaise with PMS section to determine format and methodology	N/A



Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>Legislative Requirement</b>	Improved report from Auditor-General	Various concerns raised by AG in terms of compliance with legislation	Reduce concerns raised by AG for 2013/14 report significantly <sup>4</sup>	Reduce concerns raised by AG for 2013/14 report significantly and obtain clean report for 2014/15	<b><u>Target achieved</u></b>  Unqualified audit opinion as per AG audit report	N/A	N/A	Unqualified audit report
<b>Maximise Revenue Opportunities</b>	Total Income	74% of amounts that could be invoiced paid	Improve revenue collected to 85% of amount that could be invoiced	% of revenue collected from total amount that could be invoiced	<b><u>Target exceeded</u></b>  More than 85% of revenue collected on amounts that could be invoiced	N/A	N/A	Monthly CFO report and SAMRAS system
<b>Maximise Revenue Opportunities</b>	Funding of legislated functions	Vehicle licensing function performed on behalf of provincial	Perform only own powers and functions, except where an agency mandate is	Legally binding contract with Provincial Government	<b><u>Target achieved</u></b>  Information compiled	N/A	N/A	Monthly CFO and management reports

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<sup>4</sup> The 2015/16 financial year will seek total compliance with all legislation and this can be verified in the AG Report received in November 2015.

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
		government. (Not funded)	100% funded from external sources and/or income					
<b>Maximise Revenue Opportunities</b>	Funding of legislated functions	Library function performed on behalf of provincial government (not fully funded)	Perform only own powers and functions, except where an agency mandate is 100% funded from external sources and/or income	Legally binding contract with Provincial Government	<u><b>Target achieved</b></u>  Information compiled	N/A	N/A	Monthly CFO and management reports
<b>Maximise Revenue Opportunities</b>	Salary Budget	40% of total budget	Reduce salary budget from 40% to 35% of total budget	Salary budget of 35% of total budget per month	<u><b>Target not achieved</b></u>			

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>National General Key Performance Indicator</b>	The percentage of a municipality's capital budget actually spent on capital projects identified for a particular financial year in terms of the municipality's integrated development plan	110%	100%	Financial statements indicating percentage of a municipality's capital budget actually spent on capital projects	<b><u>Target achieved</u></b>  105% Budget = R66.4m Actual = R69.6m		N/A	Draft Annual Financial Statements
<b>National General Key Performance Indicator</b>	The percentage of budget spent on implementing of workplace skills plan	0.26%	0.31%	The percentage of budget spent on implementing of workplace skills plan	<b><u>Target achieved</u></b>  0.50% Training = R1.9m Total = R379.9m	N/A	N/A	Draft Annual Financial Statements

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>National General Key Performance Indicator</b>	The percentage of households earning less than R1100 per month with access to free basic services	7.3%	Evaluation of 100% of applications to register as an indigent within two months from receiving the application.	Two reports Report on the evaluation of applications to register as an indigent within two months from receiving the application and; reporting on the % of indigents	<u><b>Target achieved</b></u>  4 x monthly reports	N/A	N/A	Monthly reports
<b>National General Key Performance Indicator</b>	Financial viability Ratio 1 – Debt Coverage	81.7	35.7	Financial viability Ratio 1– Debt Coverage	<u><b>Target achieved</b></u>  A = 132  B = R330.1m C = R128.1m D = R139.9m + R13.5m = R153.5m	N/A	Target was calculated using incorrect figures	Adjust target for next financial year
<b>National General Key Performance Indicator</b>	Financial viability Ratio 2 – Outstanding service debtors to revenue	55.5%	52.4%	Financial viability Ratio 2 – Outstanding service debtors to revenue	<u><b>Target achieved</b></u>  A = 70%  B = R231.9m C = R330.1m	N/A	N/A	Draft Annual Financial Statements

Budget and Treasury Office								
Objective: IDP Strategic Intervention/Function/Balanced Scorecard Perspective	Key Performance Indicator	Baseline	Annual Target	Output Indicator	Actual Performance	Reasons for Variance (Under/Over Performance)	Remedial Action/Corrective Measure	Portfolio of Evidence (POE)
<b>National General Key Performance Indicator</b>	Financial viability Ratio 3 – Cost Coverage	0.4	0.2	Financial viability Ratio 3 – Cost Coverage	<u><b>Target achieved</b></u>  A = 0.41  B = R1.3m C = R0 D = R31.7m (R379.9m / 12)	N/A	N/A	Draft Annual Financial Statements

**Table 18.** PERFORMANCE MEASURED AGAINST PREDETERMINED OBJECTIVES AND TARGET

## ANNEXURE A: EXTRACTS FROM DATA PROVIDED BY THE OFFICE OF THE PREMIER ANALYSIS OF STATUS IN NALEDI LOCAL MUNICIPALITY WARDS

### Overview of the Data

All information was sourced from the Census 2011 as conducted by Statistics South Africa. In previous submissions to the Planning Lekgotla we have standardised to the *Ward-Data*, but in May 2013 the next level of detail data, *Sub-Place-Name*, was made available by Stats SA. This data have been included in table format to illustrate the actual needs within the Municipalities and Wards.

We have depicted the information per Ward in order to keep a constant understanding and consistency with previous data and presentations. Whilst it is good to show the needs in percentage terms of the total number of households in a specific geographic area, we also need to see the need in *real* terms as the actual number of households that are affected. Data have been ordered and sorted but not changed or edited.

For the purposes of this document we will refer to the number of households (HH), but the reader can calculate or convert to the number of persons if so required. *The number of persons per household was 3.7 in 2011 (Stats SA)*

### Electrification

When one looks at the table below (data from Census 2011) it is clear that there are many areas in need of electrification (see data in red)

Geography by Energy or fuel for lighting for Household weighted	Electricity	Solar	HH Other forms of lighting	% No electricity for lighting	Total Number of HH
<b>PLEASE NOTE: The number on the map is as supplied by the Demarcation Board. The last two numbers will indicate and correspond to the Ward Number.</b>					
North West	892424	2616	166976	19%	1062015
DC39: Dr Ruth Segomotsi Mompati	103016	350	21904	18%	125270
NW392: Naledi	14253	55	4264	23%	18572
63902001: Ward 1	1437	9	828	37%	2274
63902002: Ward 2	1688	6	137	8%	1832
63902003: Ward 3	964	4	928	49%	1897
63902004: Ward 4	1908	2	1315	41%	3225
63902005: Ward 5	1758	18	694	29%	2470
63902006: Ward 6	1499	3	120	8%	1622
63902007: Ward 7	2136	2	113	5%	2251
63902008: Ward 8	1475	1	50	3%	1525
63902009: Ward 9	1390	9	77	6%	1476

### ***Piped Water***

When one looks at the table below (data from Census 2011) it is clear that the water supply is above the provincial average (see data in red)

Geography by Piped water for Household weighted	Above RDP Standard	Water Below RDP Standard	Water % Below RDP Standard	Total Number of HH
<b>PLEASE NOTE: The number on the map is as supplied by the Demarcation Board. The last two numbers will indicate and correspond to the Ward Number.</b>				
North West	888158	173856	20%	1062015
DC39: Dr Ruth Segomotsi Mompati	99282	25989	21%	125270
NW392: Naledi	17022	1552	8%	18572
63902001: Ward 1	2024	251	11%	2274
63902002: Ward 2	1752	80	4%	1832
63902003: Ward 3	1490	406	21%	1897
63902004: Ward 4	2707	519	16%	3225
63902005: Ward 5	2224	245	10%	2470
63902006: Ward 6	1617	4	0%	1622
63902007: Ward 7	2215	36	2%	2251
63902008: Ward 8	1524	1	0%	1525
63902009: Ward 9	1466	9	1%	1476

### Sanitation

When one looks at the table below (data from Census 2011) it is clear that wards 4 and 5 have the greatest need of sanitation (see data in red)

Geography by Toilet facilities for Household weighted	Above RDP Standard	Sanitation Below RDP Standard	Sanitation % Below RDP Standard	Total Number of HH
<b>PLEASE NOTE: The number on the map is as supplied by the Demarcation Board. The last two numbers will indicate and correspond to the Ward Number.</b>				
North West	611463	450551	42%	1062015
DC39: Dr Ruth Segomotsi Mompati	74822	50447	40%	125270
NW392: Naledi	13941	4632	25%	18572
63902001: Ward 1	1160	1114	49%	2274
63902002: Ward 2	1691	142	8%	1832
63902003: Ward 3	1214	683	36%	1897
63902004: Ward 4	1960	1264	39%	3225
63902005: Ward 5	1289	1182	48%	2470
63902006: Ward 6	1605	16	1%	1622
63902007: Ward 7	2044	207	9%	2251
63902008: Ward 8	1518	7	0%	1525
63902009: Ward 9	1459	17	1%	1476

### Unemployment and Sustainable livelihoods

All wards where unemployment numbers are over 1000 persons or 25% have been highlighted in Red. It is clear that the number of unemployed persons in the municipality is excessive and action needs to be taken urgently. (Data from Census 2011)

	Employed	Unemployed	Discouraged work-seeker	Total	% Unemployed
DC39: Dr Ruth Segomotsi Mompati	71778	40039	25080	136897	29%
NW392: Naledi	18201	6415	1780	26396	24%
63902001: Ward 1	2484	489	294	3267	15%
63902002: Ward 2	2340	497	103	2940	17%
63902003: Ward 3	2002	831	284	3117	27%
63902004: Ward 4	1926	1861	366	4153	45%
63902005: Ward 5	2862	491	264	3617	14%
63902006: Ward 6	1026	618	131	1775	35%
63902007: Ward 7	3333	180	87	3600	5%
63902008: Ward 8	1160	848	140	2148	39%
63902009: Ward 9	1069	599	112	1780	34%

All wards where informal housing backlog numbers are over 1000 Households have been highlighted in Red. It is clear that the backlog of formal housing in the wards 3 and 5 is high and action needs to be taken. (Data from Census 2011)



Geography by Type of dwelling for Household weighted	FORMAL	TRADITIONAL	No. INFORMAL HH	% Informal Housing	Total Number of HH
<b>PLEASE NOTE: The number on the map is as supplied by the Demarcation Board. The last two numbers will indicate and correspond to the Ward Number.</b>					
North West	809683	17531	234802	29%	1062015
DC39: Dr Ruth Segomotsi Mompoti	107388	4180	13701	11%	125270
NW392: Naledi	15081	242	3250	17%	18572
63902001: Ward 1	1822	63	389	17%	2274
63902002: Ward 2	1779	15	38	2%	1832
63902003: Ward 3	996	1	900	47%	1897
63902004: Ward 4	1794	3	1427	44%	3225
63902005: Ward 5	2211	138	121	5%	2470
63902006: Ward 6	1559	11	53	3%	1622
63902007: Ward 7	2114	9	128	6%	2251
63902008: Ward 8	1478	1	45	3%	1525
63902009: Ward 9	1328	1	147	10%	1476

### Refuse Removals

All wards where lack of refuse removals exceeds 1000 Households or 50% have been highlighted in Red. It is clear that the extent of refuse removals is big and that this can add to the disease burden and health of persons in the municipality. (Data from Census 2011)

Geography by Refuse disposal for Household weighted	Removed by Authority / Private	No refuse removals	% No refuse removals	Total Number of HH
<b>PLEASE NOTE: The number on the map is as supplied by the Demarcation Board. The last two numbers will indicate and correspond to the Ward Number.</b>				
North West	533595	528420	50%	1062015
DC39: Dr Ruth Segomotsi Mompoti	35511	89758	72%	125270
NW392: Naledi	12940	5631	30%	18572
63902001: Ward 1	746	1529	67%	2274
63902002: Ward 2	1451	381	21%	1832
63902003: Ward 3	1820	78	4%	1897
63902004: Ward 4	2532	695	22%	3225
63902005: Ward 5	132	2338	95%	2470
63902006: Ward 6	1602	19	1%	1622
63902007: Ward 7	1766	485	22%	2251
63902008: Ward 8	1496	29	2%	1525
63902009: Ward 9	1396	79	5%	1476



# **ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

## NALEDI LOCAL MUNICIPALITY CONTACT INFORMATION

### **Municipal Manager**

Name: Mr. M.T. Segapo  
Contact telephone number: (053) 928 2202  
Contact e-mail address: [municipalmanager@naledi.local.gov.za](mailto:municipalmanager@naledi.local.gov.za)

### **Chief Financial Officer**

Name: Mr. D.M. Thornhill  
Contact telephone number: (053) 928 2209  
Contact e-mail address: [thornhilld@naledi.local.gov.za](mailto:thornhilld@naledi.local.gov.za)

### **Contact at Provincial Treasury**

Name: Me. M.J. Ramatlhape  
Contact telephone number: (018) 388 4168  
Contact e-mail address: [lrmatlhape@nwpg.gov.za](mailto:lrmatlhape@nwpg.gov.za)

### **Relevant Auditor**

Name: Me. L. van der Grijp  
Contact telephone number: (083) 357 5811  
Contact e-mail address: [lvandergrijp@agsa.co.za](mailto:lvandergrijp@agsa.co.za)

### **Contact at National Treasury**

Name: Mr. J. Hattingh  
Contact telephone number: (012) 315 5009  
Contact e-mail address: [jan.hattingh@treasury.gov.za](mailto:jan.hattingh@treasury.gov.za)

## NALEDI LOCAL MUNICIPALITY GENERAL INFORMATION

### Members of the Council

Cllr. S.T. Modise	Mayor
Cllr. N.G. Mathiba	Speaker
Cllr. C.J. Groep	Member of the Executive Committee
Cllr. E.K. Moroka	Member of the Executive Committee
Cllr. H.L. Pretorius	Member of the Executive Committee
Cllr. K.K. Kgajane (resigned 31 January 2015)	Chairperson of Municipal Public Accounts Committee
Cllr. D.P. Matobo (acting appointed 1 February 2015)	Chairperson of Municipal Public Accounts Committee
Cllr. J.A. Adonis	Member
Cllr. P.K. Moloi	Member
Cllr. A.N. Bareng	Member
Cllr. G.A. Coetzee	Member
Cllr. B.M. Kegakilwe (resigned 30 June 2014)	Member
Cllr. D.T. Mogale (newly appointed)	Member
Cllr. S.B. Kgodumo	Member
Cllr. A. Lekgetho	Member
Cllr. M.J. Nchochoba	Member
Cllr. E.G. Ramorogadi	Member
Cllr. E.P. Renoster	Member
Cllr. N.R. Thekiso	Member

### Municipal Manager

Mr. M.T. Segapo

### Chief Financial Officer

Mr. D.M. Thornhill

### Grading of Local Authority

Grade 3 (NW392)

### Auditors

Auditor General of South Africa

### Bankers

First National Bank

### Registered Office and Physical Address

Civic Centre  
19A Market Street  
Vryburg  
8601

### Jurisdiction

Dr Ruth S Mompati District / Naledi Local Municipality  
Boundaries as determined by the Municipal Demarcation Board

### Domicil

Naledi Local Municipality

### Postal Address

P.O. Box 35  
Vryburg  
8600

### Telephone Number

(053) 928 2199

### Fax Number

(053) 927 3482

### E-mail Address

[municipalmanager@naledi.local.gov.za](mailto:municipalmanager@naledi.local.gov.za)

## **NALEDI LOCAL MUNICIPALITY**

### **ACCOUNTING OFFICERS RESPONSIBILITIES AND APPROVAL OF ANNUAL FINANCIAL STATEMENTS**

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board. The external auditors will form an opinion on whether the financial statements are prepared, in all material aspects, in accordance with the reporting framework and will be given unrestricted access to all financial records and related data.

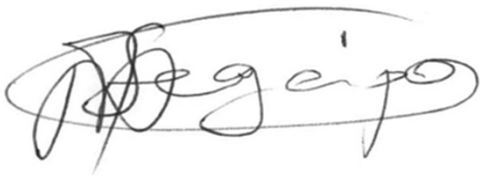
The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements, which are prepared on the going concern basis as set out on pages 1 to 77 have been signed by myself on behalf of the Municipality on 31 August 2015.



**M.T. SEGAPO**  
**MUNICIPAL MANAGER**  
**31 August 2015**

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# NALEDI LOCAL MUNICIPALITY

## REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2015

### 1. INTRODUCTION

These annual financial statements are prepared in terms of the Section 122 of the MFMA and presents a report on the status of this municipality's performance against its budget, the management of its revenue, expenditure, assets and liabilities, its operational activities, financial results and the municipal financial position as at 30 June 2015.

### 2. BASIS OF ACCOUNTING

These Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance as detailed in the Significant Accounting Policies section.

### 3. REVIEW OF OPERATING RESULTS

#### 3.1 General

Details of the operating results per vote and classification of revenue and expenditure are included in Appendix D and Statement for comparison of budget and actual amounts. The overall operating results for the year ended, 30 June 2015 are as follows:

	Actual 2014 R	Actual 2015 R	Variance 2014 / 2015 %	Budget 2015 R	Variance Actual / Budget %
Revenue	328 993 943	360 457 096	10%	321 445 150	12%
Expenditure	-362 314 581	-388 111 174	-7%	-385 236 571	-1%
Other	-9 564 997	-296 074 063	-2995%	-	0%
<b>Nett surplus / (deficit) for the year</b>	<b>-42 885 635</b>	<b>-323 728 140</b>	<b>-655%</b>	<b>-63 791 420</b>	<b>-407%</b>

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

#### 3.2 Revenue

The detail breakdown of operating revenue is as follows for the year ended 30 June 2015:

	Actual 2014 R	Actual 2015 R	Variance 2014 / 2015 %	Budget 2015 R	Variance Actual / Budget %
Property Rates	29 586 970	34 342 232	16%	37 916 798	-9%
Property rates - penalties imposed and collection charges	-	-	0%	-	0%
Service Charges	133 647 922	139 953 348	5%	142 505 247	-2%
Rental of facilities and equipment	1 115 914	737 581	-34%	703 000	5%
Interest earned - external investments	574 971	235 094	-59%	200 000	18%
Interest earned - outstanding receivables	11 406 180	13 503 505	18%	15 000 000	-10%
Fines	1 854 650	1 481 027	-20%	301 000	392%
Licences and Permits	5 872 376	6 934 890	18%	6 420 000	8%
Government grants and subsidies	81 913 968	128 135 495	56%	115 317 705	11%
Other income	63 020 991	35 133 925	-44%	3 081 400	1040%
<b>Total revenue</b>	<b>328 993 943</b>	<b>360 457 096</b>	<b>10%</b>	<b>321 445 150</b>	<b>12%</b>

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

# NALEDI LOCAL MUNICIPALITY

## REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2015

### 3.3 Expenditure

The detail breakdown of operating expenditure is as follows for the year ended 30 June 2015:

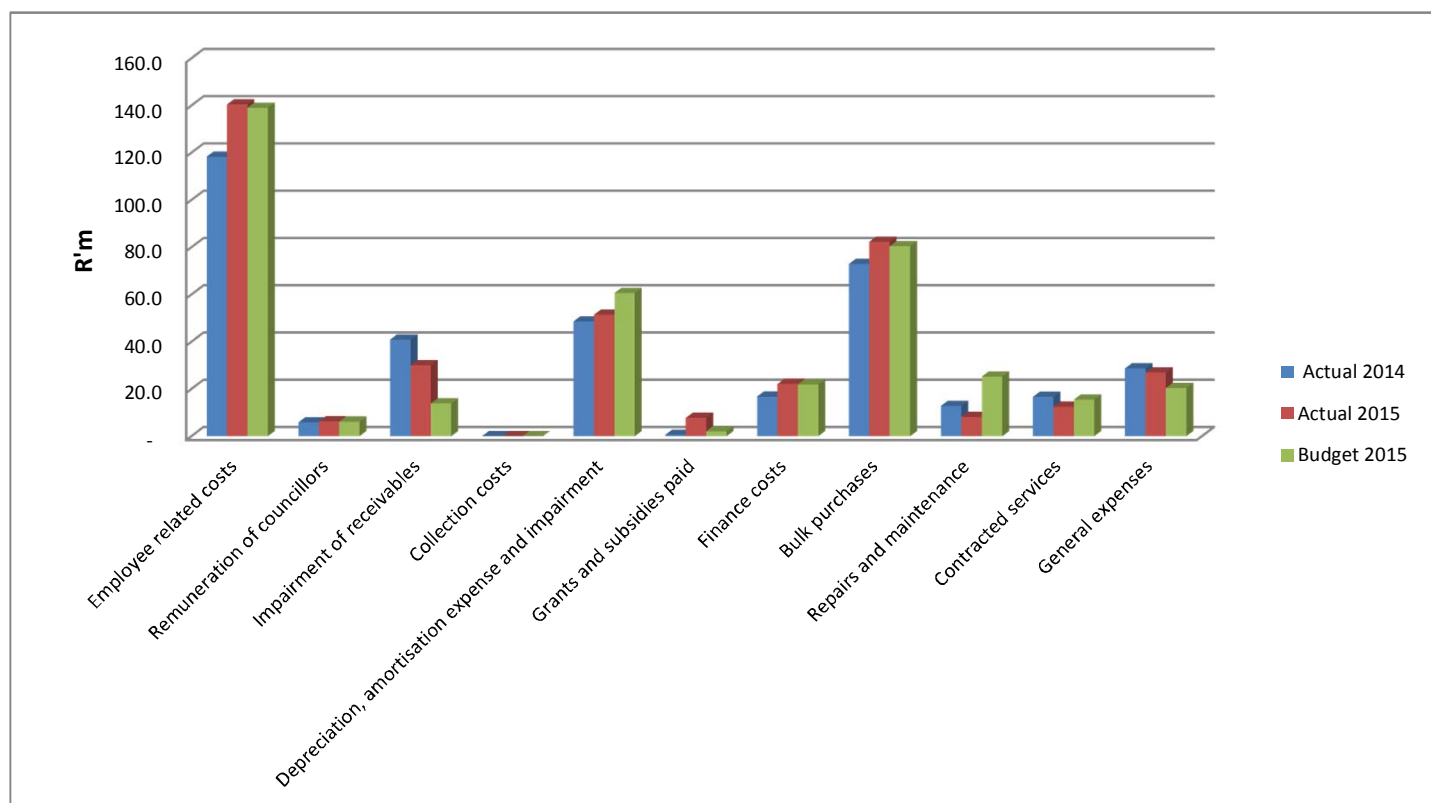
	Actual 2014 R	Actual 2015 R	Variance 2014 / 2015 %	Budget 2015 R	Variance Actual / Budget %
Employee related costs	118 341 874	140 488 547	19%	138 982 459	-1%
Remuneration of councillors	5 856 071	6 287 777	7%	6 176 381	-2%
Impairment of receivables	40 924 920	30 068 238	-27%	13 918 523	-116%
Collection costs	-	-	0%	-	0%
Depreciation, amortisation expense and impairment	48 634 994	51 423 078	6%	60 600 000	15%
Grants and subsidies paid	598 880	7 763 962	1196%	2 062 330	-276%
Finance costs	16 784 983	22 126 750	32%	21 937 900	-1%
Bulk purchases	72 911 081	82 316 378	13%	80 411 854	-2%
Repairs and maintenance	12 833 751	8 186 800	-36%	25 234 782	68%
Contracted services	16 691 935	12 476 163	-25%	15 486 702	19%
General expenses	28 736 092	26 973 481	-6%	20 425 640	-32%
<b>Total expenditure</b>	<b>362 314 581</b>	<b>388 111 174</b>	<b>7%</b>	<b>385 236 571</b>	<b>-1%</b>

For explanations of significant variances refer [Statement for comparison of budget and actual amounts](#).

### 3.4 Budget

The total operating budget performance is summarized as follows for the year ended 30 June 2015:

	Actual 2015 R	Budget 2015 R	Balance remaining on budget	
			R	%
Actual operating expenditure to date	388 111 174	385 236 571	-2 874 603	-1%





**NALEDI LOCAL MUNICIPALITY**  
**REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2015**

**4. CONDITIONAL GRANTS**

The detailed conditional grants summary is as follows for the year ended 30 June 2015.

	Unspent grant opening balance R	Current year receipts R	Conditions met R	Net balance claimed against debtor / creditor R	Unspent grant closing balance R
Municipal Infrastructure Grant	10 846 582	30 051 000	-30 627 419	-9 309 000	961 163
Dr Ruth S Mompoti DM Grant	2 495 400	19 167 578	-21 397 559	-	265 419
INEP Grant	5 861 123	8 000 000	-20 266 367	6 405 244	-
Finance Management Grant	-	1 600 000	-1 600 000	-	-
Dep of Sports, Arts and Culture Grant	497 250	-	-497 250	-	-
Municipal Systems Improvement Grant	-	934 000	-934 000	-	-
Expanded Public Works Programme Grant	-	1 846 000	-1 846 000	-	-
LG Seta Grant	-	653 981	-653 981	-	-
Department of Energy Grant (SANEDI)	-	12 000 000	-12 913 919	913 919	-
Fire Grant	700 000	-	-700 000	-	-
<b>Total</b>	<b>20 400 355</b>	<b>74 252 559</b>	<b>-91 436 495</b>	<b>-1 989 837</b>	<b>1 226 582</b>

**6. CONCLUSION**

I would like to extend my appreciation to the Mayor, The Chairperson of the Finance Portfolio Committee, other Councillors, Municipal Manager, Management, finance officials, all staff members and all other role players for their support, assistance and participation in getting the job done in the 2014/15 financial year.



**D.M. THORNHILL**  
**CHIEF FINANCIAL OFFICER**  
**31 August 2015**

**NALEDI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

	Note	2015 R	2014 R
<b>ASSETS</b>			
<b>Current assets</b>		<b>55 913 198</b>	<b>50 811 590</b>
Cash and cash equivalents	1	1 284 900	1 459 026
Trade and other receivables from exchange transactions	2	20 689 550	25 407 914
Other receivables from non-exchange transactions	3	11 120 880	4 493 971
Inventories	4	2 935 764	2 830 474
VAT receivable	5	19 882 104	16 620 206
<b>Non-current assets</b>		<b>739 381 405</b>	<b>990 626 447</b>
Property, plant and equipment	6	738 662 120	989 907 161
Heritage assets	7	719 286	719 286
Biological assets	8	-	-
<b>Total assets</b>		<b>795 294 603</b>	<b>1 041 438 037</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>371 150 117</b>	<b>302 573 221</b>
Trade and other payables from exchange transactions	9	323 115 509	240 459 667
Consumer deposits	10	5 646 524	3 880 049
Current provisions	11	9 013 003	6 062 060
Current portion of unspent conditional grants and receipts	12	1 226 582	20 400 355
Current portion of borrowings	13	30 648 732	31 379 753
Current portion of finance lease liability	48	1 499 767	391 336
<b>Non-current liabilities</b>		<b>86 056 856</b>	<b>76 277 876</b>
Non-current provisions	14	85 607 147	75 975 654
Non current trade and other payables from exchange transactions	9	-	-
Non-current borrowings	13	-	-
Non-current finance lease liabilities	48	449 708	302 221
<b>Total liabilities</b>		<b>457 206 973</b>	<b>378 851 096</b>
<b>Net assets</b>		<b>338 087 631</b>	<b>662 586 940</b>
<b>NETT ASSETS</b>			
Reserves	47	1 697 412	2 797 286
Accumulated surplus / (deficit)		336 390 219	659 789 655
<b>Total net assets</b>		<b>338 087 631</b>	<b>662 586 940</b>

**NALEDI LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R
<b>REVENUE</b>			
<b>Revenue from exchange transactions</b>		<b>196 498 343</b>	<b>215 638 355</b>
Service Charges	16	139 953 348	133 647 922
Rental of facilities and equipment	17	737 581	1 115 914
Interest earned - external investments	18	235 094	574 971
Interest earned - outstanding receivables	18	13 503 505	11 406 180
Licences and Permits		6 934 890	5 872 376
Other income	20	35 133 925	63 020 991
<b>Revenue from non-exchange transactions</b>		<b>163 958 753</b>	<b>113 355 588</b>
<b>Taxation revenue</b>			
Property Rates	15	34 342 232	29 586 970
Property rates - penalties imposed and collection charges	15	-	-
<b>Transfer revenue</b>			
Fines		1 481 027	1 854 650
Government grants and subsidies	19	128 135 495	81 913 968
<b>TOTAL REVENUE</b>		<b>360 457 096</b>	<b>328 993 943</b>
<b>EXPENDITURE</b>			
Employee related costs	21	140 488 547	118 341 874
Remuneration of councillors	22	6 287 777	5 856 071
Impairment of receivables	23	30 068 238	40 924 920
Collection costs		-	-
Depreciation, amortisation expense and impairment	25	51 423 078	48 634 994
Grants and subsidies paid	24	7 763 962	598 880
Finance costs	26	22 126 750	16 784 983
Bulk purchases	27	82 316 378	72 911 081
Repairs and maintenance		8 186 800	12 833 751
Contracted services	28	12 476 163	16 691 935
General expenses	29	26 973 481	28 736 092
<b>TOTAL EXPENDITURE</b>		<b>388 111 174</b>	<b>362 314 581</b>
Gain / (loss) on disposal of property, plant and equipment	30	-292 048 109	-7 887 217
Gain / (loss) on natural movement of game / animals		988 750	-179 900
Gain / (loss) on disposal of Biological Assets		-	-
Gain / (loss) on borrowings redeemed		-	-
Gain / (loss) on actuarial valuation		-6 301 836	-1 497 880
Unwinding of discounting		1 287 132	-
Residual interest income		-	-
Gain / (loss) on fair value adjustment		-	-
<b>SURPLUS / (DEFICIT) FOR THE YEAR</b>		<b>-323 728 140</b>	<b>-42 885 635</b>

**NALEDI LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2015**

	Note	Revaluation reserve R	Accumulated surplus / (deficit) R	Total Net assets R
<b>2014</b>				
Balance at 1 July 2013		1 847 484	701 576 476	703 423 961
Prior period error	<b>34</b>	-	737 849	737 849
Restated balance		1 847 484	702 314 325	704 161 809
Restated surplus / (deficit) for the year	<b>34</b>	-	-42 885 635	-42 885 635
PPE revalued		1 310 766	-	1 310 766
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-360 965	-	-360 965
Realisation of revaluation reserve		-	360 965	360 965
<b>Balance at 30 June 2014</b>		<b>2 797 286</b>	<b>659 789 655</b>	<b>662 586 940</b>
<b>2015</b>				
Changes in accounting policy	<b>33</b>	-	-	-
Restated balance		2 797 286	659 789 655	662 586 940
Surplus / (deficit) for the year		-	-323 728 140	-323 728 140
PPE revalued		-771 169	-	-771 169
Capital grants used to purchase PPE		-	-	-
Offsetting of depreciation		-328 704	-	-328 704
Realisation of revaluation reserve		-	328 704	328 704
<b>Balance at 30 June 2015</b>		<b>1 697 412</b>	<b>336 390 219</b>	<b>338 087 631</b>

**NALEDI LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2015**

	Note	2015 R	2014 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and other		278 293 299	277 712 151
Cash paid to suppliers and employees		-211 813 325	-244 457 049
Cash generated from / (utilised in) operations	31	66 479 974	33 255 102
Interest received		13 738 599	11 981 151
Interest paid		-22 126 750	-15 973 903
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>58 091 823</b>	<b>29 262 350</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		-59 695 212	-35 382 144
Proceeds on disposal of property, plant and equipment		2 160 285	1 499 810
Proceeds from sale of biological assets		-	-
(Increase) / decrease in non-current receivables		-	-
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>-57 534 927</b>	<b>-33 882 335</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised / (repaid)		-731 021	-
Repayment of finance lease liability		-	-
Decrease / (increase) in short-term loans		-	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-731 021</b>	<b>-</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-174 125</b>	<b>-4 619 984</b>
Cash and cash equivalents at the beginning of the year		1 459 026	6 079 010
Cash and cash equivalents at the end of the year	32	1 284 901	1 459 026

**NALEDI LOCAL MUNICIPALITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015						Explanation of significant variances greater than 10% versus budget
	Budget			Actual	Difference between final budget and actual		
	Approved	Adjustments	Final				
	R	R	R	R	R	%	
REVENUE							
Revenue from exchange transactions	187 628 575	-19 718 928	167 909 647	196 498 343	28 588 696	17%	
Service Charges	164 994 375	-22 489 128	142 505 247	139 953 348	-2 551 899	-2%	-
Rental of facilities and equipment	949 300	-246 300	703 000	737 581	34 581	5%	-
Interest earned - external investments	600 000	-400 000	200 000	235 094	35 094	18%	Higher invested balance during the year than anticipated
Interest earned - outstanding receivables	12 000 000	3 000 000	15 000 000	13 503 505	-1 496 495	-10%	-
Licences and Permits	5 670 000	750 000	6 420 000	6 934 890	514 890	8%	-
Other income	3 414 900	-333 500	3 081 400	35 133 925	32 052 525	1040%	PPE transfer received not anticipated
Revenue from non-exchange transactions	124 492 707	29 042 796	153 535 503	163 958 753	10 423 250	7%	
Taxation revenue							
Property Rates	39 842 307	-1 925 509	37 916 798	34 342 232	-3 574 567	-9%	-
Property rates - penalties imposed and collection charges	-	-	-	-	-	0%	-
Transfer revenue							
Fines	340 400	-39 400	301 000	1 481 027	1 180 027	392%	Budgetted for net receipts vs total income disclosed
Government grants and subsidies	84 310 000	31 007 705	115 317 705	128 135 495	12 817 790	11%	Roll-over on MIG not anticipated per budget
TOTAL REVENUE	312 121 282	9 323 869	321 445 150	360 457 096	39 011 946	12%	
EXPENDITURE							
Employee related costs	138 519 067	463 392	138 982 459	140 488 547	-1 506 089	-1%	-
Remuneration of councillors	6 176 381	-	6 176 381	6 287 777	-111 396	-2%	-
Impairment of receivables	15 473 357	-1 554 834	13 918 523	30 068 238	-16 149 714	-116%	Higher indigent registrations due to increased debt collection
Collection costs	-	-	-	-	-	0%	-
Depreciation and amortisation expense	60 600 000	-	60 600 000	51 423 078	9 176 922	15%	-
Grants and subsidies paid	1 004 472	1 057 858	2 062 330	7 763 962	-5 701 632	-276%	Lower than anticipated due to cost saving measures
Finance costs	18 285 357	3 652 543	21 937 900	22 126 750	-188 850	-0.9%	-
Bulk purchases	77 500 000	2 911 854	80 411 854	82 316 378	-1 904 524	-2%	-
Repairs and maintenance	25 056 182	178 600	25 234 782	8 186 800	17 047 982	68%	Lower than anticipated due to cost saving measures
Contracted services	12 027 230	3 459 472	15 486 702	12 476 163	3 010 539	19%	Lower than anticipated due to cost saving measures
General expenses	23 445 430	-3 019 790	20 425 640	26 973 481	-6 547 841	-32%	Budgetted for lower expenditure as part of cost saving measures
TOTAL EXPENDITURE	378 087 475	7 149 095	385 236 571	388 111 174	-2 874 603	-0.7%	
Gain / (loss) on disposal of PPE	-	-	-	-292 048 109	-292 048 109	-100%	Not anticipated as per budget
Gain / (loss) on natural movement of game / animals	-	-	-	988 750	988 750	100%	Not anticipated as per budget
Gain / (loss) on disposal of Biological Assets	-	-	-	-	-	0%	-
Gain / (loss) on borrowings redeemed	-	-	-	-	-	0%	-
Gain / (loss) on actuarial valuation	-	-	-	-6 301 836	-6 301 836	-100%	Not anticipated as per budget
Unwinding of discounting	-	-	-	1 287 132	1 287 132	100%	Not anticipated as per budget
Residual interest income	-	-	-	-	-	100%	Not anticipated as per budget
Gain / (loss) on fair value adjustment	-	-	-	-	-	0%	-
NET SURPLUS / (DEFICIT) FOR THE YEAR	-65 966 193	2 174 773	-63 791 420	-323 728 140	-259 936 720	407%	

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 1. BASIS OF ACCOUNTING

#### 1.1 Basis of presentation

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board.

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

#### 1.2 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.3 Going concern assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.4 Comparative information

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

#### 1.5 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality. The nature of the impending changes in accounting policy and the impact on the Municipality's financial statements once implemented are as follows:

GRAP Standard	Effective date as determined by the Minister of Finance	Possible impact on the financial statements on initial application
GRAP 20 - Related Party Disclosures	Unknown	Full disclosure of the nature and effect all related party transactions of management, their close members of family
GRAP 32 - Service Concession Arrangement: Grantor	Unknown	Disclosure and presentation of each transaction relating to service concession arrangements.
GRAP 108 - Statutory Receivables	Unknown	Full disclosure and presentation of each class of statutory receivable as prescribe by legislation.
GRAP 109 - Accounting by Principals and Agents	Unknown	Full disclosure and presentation of each transaction that relates to a principal and agent agreements, provided for on be halve of the principal of acting as the agent.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 2. PROPERTY, PLANT AND EQUIPMENT

#### 2.1 Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### 2.2 Subsequent measurement - Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land (excluding landfill sites) is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

#### 2.3 Depreciation and impairment

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

<u>PPE category</u>	<u>Years</u>
<b>Infrastructure</b>	
Roads and Lights	10-40
Water Pipelines	25-50
Water Pumps, Purification and Reservoirs	30-55
Sewerage	25-30
Land	Indefinite
Landfill Site Perimeter Protection and structures	10-55
<b>Community</b>	
Buildings	30
Recreational Facilities	30
Cemeteries	30
Halls	30
Libraries	30
Civic Buildings	30
Other assets	15-30



# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### Other

Buildings	30
Office equipment	7
Furniture and fittings	7
Emergency equipment	10
Computer equipment	5
Machinery and Equipment	10-15
Official Vehicles	7
Other assets	4-15
Game / Animals	4-21

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 2.4 Derecognition

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 2.5 Game / Animals

Game animals are held in the nature reserve and are due to their inherent nature disclosed at fair value utilising the revaluation model and accounted for as a separate class of asset. An annual count, assessment of the remaining useful life and valuation based on market values are performed.

Subsequent to recognition, Game / Animals are measured using the revaluation amount less any subsequent accumulated depreciation and any subsequent accumulated impairment losses. The revaluation amount is the fair value at the date of the revaluation.

Accumulated depreciation is accounted for using the elimination method. Any difference between the carrying amounts and the revaluation amounts is recognised in the revaluation surplus. In the case of a reversal of an increase in excess of the increase previously recognised in the revaluation surplus, or a reversal of a decrease previously recognised in surplus or deficit, it will be recognised in surplus or deficit.

The revaluation surplus relating to the assets will be realised over time by transferring the surplus to accumulated surplus or deficit by way of the use of the asset.

For depreciation rates on Game / animals, refer to the table as per accounting policy no 2.3 above.

## 3. INTANGIBLE ASSETS

### 3.1 Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

### 3.2 Subsequent measurement

**The cost model has been chosen for intangible assets.**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

### 3.3 Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

### 3.4 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

## 4. INVESTMENT PROPERTY

### 4.1 Initial recognition

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

### 4.2 Subsequent measurement

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

## 5. NON-CURRENT ASSETS HELD FOR SALE

### 5.1 Initial recognition

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

### 5.2 Subsequent measurement

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 6. INVENTORIES

#### 6.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### 6.2 Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

### 7. FINANCIAL INSTRUMENTS

#### 7.1 Initial recognition

Financial instruments are initially recognized at fair value.

#### 7.2 Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

##### 7.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 7.2.2 Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivables are impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

### 7.2.3 Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

### 7.2.4 Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

## 8. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 9. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

## 10. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 11. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

### 12. LEASES

#### 12.1 Municipality as lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

#### 12.2 Municipality as lessor

Under a finance lease, the municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to derecognition and impairment of financial instruments are applied to lease receivables.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

**NALEDI LOCAL MUNICIPALITY**  
**SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED**  
**30 JUNE 2015**

**13. REVENUE**

**13.1 Revenue from exchange transactions**

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

**13.2 Revenue from non-exchange transactions**

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

**13.3 Grants, transfers and donations**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when received.

**13.4 Fines**

Revenue from fines are recognized at the initial transaction date taking into account the full amount of fines. Impairment is based on the probability of collections.

**14. EXPENDITURE**

Expenditure is recognised once there is a decrease in economic benefits or service potential during the financial period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets.

**15. BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

**16. RETIREMENT BENEFITS**

**Defined contribution plan**

The municipality provides retirement benefits for its employees and councillors. Contributions to defined contribution retirement benefit plans are recognised as an expense when employees and councillors have rendered the employment service or served office entailing them to the contributions.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 17. IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

### 18. HERITAGE ASSETS

#### 18.1 Initial recognition

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

A heritage asset recognised is initially measured at its cost. The cost of a purchased heritage asset comprises of its purchase price, including any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Where a heritage asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

#### 18.2 Subsequent measurement - Cost model

After recognition as an asset, a class of heritage assets shall be carried at its cost less any accumulated impairment losses.

#### 18.3 Depreciation and impairment

Heritage assets are not depreciated.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of the heritage asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### 18.4 Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of the heritage asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

### 19. CAPITAL COMMITMENTS

Capital Commitments disclosed are the estimated amounts of capital contracts remaining to be executed after year-end.

### 20. VALUE ADDED TAXATION (VAT)

The municipality accounts for value added taxation on the accrual basis.

### 21. EMPLOYEE BENEFITS

Defined contribution plans are post-employment benefit plans under which the Municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### 21.1 Post Retirement Medical Obligations

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% is paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 – "Employee Benefits" (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are recognised in the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of a minimum funding

requirements. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

#### 21.2 Long Service Awards

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries annually and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are recognised in the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

### 22. REVALUATION RESERVE

The accounting for the Revaluation Reserve must be done in accordance with the requirements of GRAP 17. All increases in the carrying value of assets as a result of a revaluation are credited against the reserve, except to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in the Statement of Financial Performance. All decreases in the carrying value of assets as a result of a revaluation are debited against the reserve to the extent of any credit balance existing in the revaluation surplus in respect of that asset.



# NALEDI LOCAL MUNICIPALITY

## SIGNIFICANT ACCOUNTING POLICIES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

### 23. RELATED PARTIES

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**1. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of the following:

Cash on hand	40 097	13 494
Cash at bank	1 203 273	1 309 499
Call deposits	41 530	136 033
	<b>1 284 900</b>	<b>1 459 026</b>

Refer to note 36.8 for a detail breakdown of call deposits.

The municipality has the following bank accounts:

**Current account (Primary bank account)**

FNB - Vryburg branch - Account number : 54160030382

Cash book balance at beginning of year	537 626	4 829 774
Cash book balance at end of year	944 121	537 626
Bank statement balance at beginning of year	537 626	4 829 774
Bank statement balance at end of year	944 121	537 626

**Current account (Other account)**

ABSA - Vryburg branch - Account number : 4070282707

Cash book balance at beginning of year	771 873	1 110 128
Cash book balance at end of year	259 152	771 873
Bank statement balance at beginning of year	771 873	1 110 128
Bank statement balance at end of year	259 152	771 873

On 1 March 2013, the municipality changed it's Primary bank account from ABSA account no 4070282707 to FNB account no 54160030382.

<b><u>Cash on hand</u></b>	40 097	13 494
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**2. TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS**

Gross Balances R	Provision for Doubtful Debts R	Net Balance R
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**Service Receivables**

**As at 30 June 2015**

Rates and Taxes	40 217 261	-35 573 573	4 643 688
Electricity	51 095 834	-39 597 925	11 497 909
Water	73 523 171	-71 760 445	1 762 726
Sewerage and Sanitation	27 304 247	-25 945 188	1 359 059
Refuse	30 835 887	-29 562 921	1 272 966
Other Charges	8 958 458	-8 805 257	153 201
<b>Total</b>	<b>231 934 858</b>	<b>-211 245 308</b>	<b>20 689 550</b>

**As at 30 June 2014**

Rates and Taxes	46 854 331	-33 171 489	13 682 842
Electricity	46 044 221	-37 505 286	8 538 935
Water	71 598 272	-70 354 580	1 243 692
Sewerage and Sanitation	25 705 966	-24 750 106	955 860
Refuse	29 007 965	-28 131 325	876 640
Other Charges	7 326 603	-7 216 658	109 945
<b>Total</b>	<b>226 537 358</b>	<b>-201 129 444</b>	<b>25 407 914</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R	
	Gross Balances R	Provision for Doubtful Debts R	Net Balance R
<b><u>Rates and Taxes</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	2 652 721	-1 294 380	1 358 341
31 - 60 days	1 715 085	-1 101 338	613 747
61 - 90 days	1 544 259	-1 043 336	500 923
+91 days	34 305 196	-32 134 519	2 170 677
<b>Total</b>	<b>40 217 261</b>	<b>-35 573 573</b>	<b>4 643 688</b>
<b><u>Electricity</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	6 982 702	-2 023 215	4 959 487
31 - 60 days	5 546 817	-4 263 405	1 283 412
61 - 90 days	1 600 598	-855 710	744 888
+91 days	36 965 718	-32 455 595	4 510 123
<b>Total</b>	<b>51 095 835</b>	<b>-39 597 925</b>	<b>11 497 910</b>
<b><u>Water</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	1 405 347	-849 797	555 550
31 - 60 days	834 814	-621 103	213 711
61 - 90 days	738 946	-584 171	154 775
+91 days	70 544 064	-69 705 374	838 690
<b>Total</b>	<b>73 523 171</b>	<b>-71 760 445</b>	<b>1 762 726</b>
<b><u>Sewerage and Sanitation</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	1 079 751	-572 704	507 047
31 - 60 days	674 887	-501 819	173 068
61 - 90 days	598 116	-479 695	118 421
+91 days	24 951 493	-24 390 970	560 523
<b>Total</b>	<b>27 304 247</b>	<b>-25 945 188</b>	<b>1 359 059</b>
<b><u>Refuse</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	1 056 391	-561 242	495 149
31 - 60 days	636 291	-484 759	151 532
61 - 90 days	563 451	-461 265	102 186
+91 days	28 579 754	-28 055 654	524 100
<b>Total</b>	<b>30 835 887</b>	<b>-29 562 920</b>	<b>1 272 967</b>
<b><u>Other Charges</u></b>			
<b>As at 30 June 2015</b>			
Current (0 - 30 days)	214 852	-155 416	59 436
31 - 60 days	58 944	-50 262	8 682
61 - 90 days	53 592	-49 103	4 489
+91 days	8 631 070	-8 550 476	80 594
<b>Total</b>	<b>8 958 458</b>	<b>-8 805 257</b>	<b>153 201</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b><u>Summary of debtors by Customer Classification</u></b>		
<b><u>Consumers</u></b>		
Current (0 - 30 days)	11 976 102	11 554 470
31 - 60 days	8 490 060	5 256 904
61 - 90 days	3 361 748	3 032 154
+91 days	191 670 515	183 035 564
<b>Sub Total</b>	<b>215 498 425</b>	<b>202 879 092</b>
Less: Provision for doubtful debts	-199 084 615	-190 585 928
<b>Total debtors by customer classification</b>	<b>16 413 810</b>	<b>12 293 164</b>
<b><u>Government departments</u></b>		
Current (0 - 30 days)	1 415 662	1 363 508
31 - 60 days	976 778	1 565 003
61 - 90 days	1 737 214	1 672 031
+91 days	12 306 781	19 057 724
<b>Sub Total</b>	<b>16 436 435</b>	<b>23 658 266</b>
Less: Provision for doubtful debts	-12 160 693	-10 543 516
<b>Total debtors by customer classification</b>	<b>4 275 742</b>	<b>13 114 750</b>
<b><u>Reconciliation of impairment of receivables provision</u></b>		
Balance at beginning of the year	201 129 444	174 430 569
Contribution to provision	31 356 711	39 803 163
Impairment of receivables written off against provision	-21 240 846	-13 104 288
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>211 245 308</b>	<b>201 129 444</b>
<b>3. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>		
Other debtors	13 031 306	5 515 011
Prepayments	56 781	100 667
<b>Sub Total</b>	<b>13 088 087</b>	<b>5 615 678</b>
Less: Provision for doubtful debts	-1 967 207	-1 121 708
<b>Total</b>	<b>11 120 880</b>	<b>4 493 971</b>
<b><u>Reconciliation of impairment of receivables provision</u></b>		
Balance at beginning of the year	1 121 708	-
Contribution to provision	845 499	1 121 708
Impairment of receivables written off against provision	-	-
Reversal of provision	-	-
<b>Balance at end of year</b>	<b>1 967 207</b>	<b>1 121 708</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**4. INVENTORY**

**Opening balance of inventories:**

Consumables stores - at cost	2 830 474	3 766 528
Maintenance materials – at cost	163 749	120 536
Water	2 532 686	3 588 020
	134 039	57 972

**Additions:**

Consumables stores - at cost	15 084 498	10 225 919
Maintenance materials – at cost	1 216 708	1 115 214
Water	2 141 852	-
	11 725 938	9 110 705

**Less: Issued (expensed):**

Consumables stores - at cost	14 979 209	11 161 973
Maintenance materials – at cost	1 132 572	1 072 001
Water	2 099 651	1 055 334
	11 746 987	9 034 638

**Closing balance of inventories:**

Consumables stores - at cost	2 935 764	2 830 474
Maintenance materials – at cost	247 885	163 749
Water	2 574 887	2 532 686
	112 991	134 039

The First-in-First-out (FIFO) costing method is applied on inventories. The same method is used as the inventories have a similar nature and use to the entity. Inventory is measured at the lower of cost and net realisable value.

**5. VAT RECEIVABLE**

VAT receivable	<u>19 882 104</u>	<u>16 620 206</u>
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**6. PROPERTY, PLANT AND EQUIPMENT**

Refer **note 51** for reconciliation of carrying value.

**6.1 Assessed residual value**

In terms of GRAP 17 management assessed the residual value and useful life of all property, plant and equipment. For the period under review the residual values of all property, plant and equipment (except for official vehicles and machinery and equipment) were assessed at zero, as the economic life of these assets are greater than the useful life.

**6.2 Methods and assumptions used in determining the fair value**

**Game / animals**

The fair value assessment was determined by SA Auctioneers, an independent expert / valuer on the market values of game, taking into account the relevant market values of the respective breeding / family groups. The effective date of the valuation was 30 June 2015. SA Auctioneers are independent and are not connected to the municipality or any of its councillors or officials.

Game / animals are re-valued independently every year.

Land and buildings were revalued to fair value by using market values. Market values were determined utilising recent market transactions on arm's length terms.

**7. HERITAGE ASSETS**

**7.1 Reconciliation of carrying value**

Cost / Valuation	719 286	719 286
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	<b>719 286</b>	<b>719 286</b>

**8. BIOLOGICAL ASSETS**

**8.1 Reconciliation of carrying value**

Cost / Valuation	-	-
Acquisitions	-	-
Decrease due to sales	-	-
Gains / losses from change in fair value	-	-
Other movements	-	-
	<b>-</b>	<b>-</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**9. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS**

Trade creditors	263 771 460	205 982 466
Payments received in advance	-	173 616
Retentions	4 311 829	2 799 786
Staff leave accrual	6 248 114	4 952 731
Bonus accrual	2 543 734	2 423 448
Other creditors	46 240 372	24 127 620
<b>Total trade and other payables from exchange transactions</b>	<b>323 115 509</b>	<b>240 459 667</b>
<b>Less: Current portion transferred to current liabilities</b>	<b>-323 115 509</b>	<b>-240 459 667</b>
<b>Total non-current trade and other payables from exchange transactions</b>	<b>-</b>	<b>-</b>

**The movement in staff leave accrual above are reconciled as follows:**

Balance at beginning of year	4 952 731	3 815 999
Contribution to provision	1 672 780	1 414 105
Expenditure incurred	-377 397	-277 373
<b>Balance at end of year</b>	<b>6 248 114</b>	<b>4 952 731</b>

**The movement in bonus accrual above are reconciled as follows:**

Balance at beginning of year	2 423 448	2 058 055
Contribution to provision	5 877 187	5 500 829
Expenditure incurred	-5 756 901	-5 135 436
<b>Balance at end of year</b>	<b>2 543 734</b>	<b>2 423 448</b>

The fair value of trade and other payables approximates their carrying amounts.

**10. CONSUMER DEPOSITS**

Water and Electricity	5 646 524	3 880 049
<b>Total consumer deposits</b>	<b>5 646 524</b>	<b>3 880 049</b>

**11. CURRENT PROVISIONS**

Current portion of long-service awards	1 060 631	831 467
Current portion of continued medical aid	1 078 647	1 030 150
Rehabilitation of landfill sites	6 842 106	4 179 345
Litigations	31 619	21 098
<b>Total current provisions</b>	<b>9 013 003</b>	<b>6 062 060</b>

Refer to **note 14** for non-current portion and key assumptions on long-service awards.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**12. UNSPENT CONDITIONAL GRANTS AND RECEIPTS**

**12.1 Conditional grants from other spheres of government**

Municipal Infrastructure Grant	19.2	961 163	10 846 582
Dr Ruth S Mompoti District Municipality Grant	19.3	265 419	2 495 400
INEP Grant	19.4	-	5 861 123
Finance Management Grant	19.5	-	-
Department of Sports, Arts and Culture Grant	19.6	-	497 250
Municipal Systems Improvement Grant	19.7	-	-
Expanded Public Works Programme Grant	19.8	-	-
LG Seta Grant	19.9	-	-
Department of Energy Grant (SANEDI)	19.10	-	-
Fire Grant	19.11	-	700 000

**Total unspent conditional grants and receipts**

<b>1 226 582</b>	<b>20 400 355</b>
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Non-current unspent conditional grants and receipts

Current portion of unspent conditional grants and receipts

-	-
1 226 582	20 400 355

See **Note 19** for reconciliation of grants and receipts. These amounts are invested in ring-fenced investments until utilised.

**13. BORROWINGS**

DBSA Loans	30 648 732	31 379 753
<b>Sub-total</b>	<b>30 648 732</b>	<b>31 379 753</b>
<b>Less: Current portion transferred to current liabilities</b>	<b>-30 648 732</b>	<b>-31 379 753</b>
DBSA Loans	30 648 732	31 379 753
<b>Total Non-Current Borrowings</b>	<b>-</b>	<b>-</b>

Refer to **Appendix A** for more detail on borrowings.

Refer **Note 52** for detail regarding DBSA Loans in default.



**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**14. NON-CURRENT PROVISIONS**

Long-service awards	7 927 669	7 111 067
Continued medical aid	48 455 125	36 358 121
Rehabilitation of landfill sites	4 448 730	5 461 048
Litigations	24 775 623	27 045 418
<b>Total non-current provisions</b>	<b>85 607 147</b>	<b>75 975 654</b>

The movement in non-current provisions are reconciled as follows:

**14.1 Long-service awards**

Balance at beginning of year	7 942 534	7 281 917
Contributions to provision	1 571 127	1 376 105
Increase / (decrease) in provision due to actuarial valuation	395 868	65 419
Expenditure incurred	-921 229	-780 907
	<b>8 988 300</b>	<b>7 942 534</b>
Transfer to current provision	-1 060 631	-831 467
<b>Balance at end of year</b>	<b>7 927 669</b>	<b>7 111 067</b>

**14.1.1 Members information**

The long service award is a defined benefit plan of which the following employees are eligible:

In-service (employee) members	481	480
<b>Total Members</b>	<b>481</b>	<b>480</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	8 988 300	7 942 534
<b>Total Liability</b>	<b>8 988 300</b>	<b>7 942 534</b>

**14.1.2 Actuarial adjustments were calculated as follows**

Change in basis	494 034	461 942
Experience	-98 166	-396 523
<b>Actuarial (Gain) / Loss</b>	<b>395 868</b>	<b>65 419</b>

**14.1.3 Future service and interest cost estimation**

The Future-service Cost for the next year is estimated to be R 994,089 whereas the Interest Cost for the next year is estimated to be R 748,314.

**14.1.4 Key Actuarial Assumptions used**

**Interest Rate**

Discount rate	8.33%	8.46%
General Inflation	5.95%	6.24%
Salary Inflation	6.95%	7.24%
Real Rate (GAP)	1.28%	1.14%

**Mortality Rates**

Pre-retirement mortality as per SA85-90 (light) table, rated down by 3 years for Female members.

**Normal Retirement age**

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**14.1.5 Sensitivity Analysis**

	Liability	Cost (Saving)	% Change
<b>Real Rate of Return</b>			
Current Assumption (1.28%)	8 988 300		
-0.5% (0.75%)	9 320 188	331 888	4%
+0.5% (1.75%)	8 675 831	-312 469	-3%
<b>Retirement</b>			
Current Assumption (Retire 63 years)	8 988 300		
Retire at 60	7 487 754	-1 500 546	-17%
Retire at 65	10 011 025	1 022 725	11%

**14.1.6 Reconciliation of present value of fund obligation**

Balance at beginning of year	7 942 534	7 281 917
Current Service Cost	898 797	843 377
Interest Cost	672 330	532 728
Actuarial (Gain)/Loss	395 868	65 419
Liability settlements	-921 229	-780 907
<b>Balance at end of year</b>	<b>8 988 300</b>	<b>7 942 534</b>

**14.2 Continued medical aid**

Balance at beginning of year	37 388 271	33 850 805
Contributions to provision	5 766 976	4 938 737
Increase / (decrease) in provision due to actuarial valuation	7 350 713	-438 290
Expenditure incurred	-972 188	-962 981
	49 533 772	37 388 271
Transfer to current provision	-1 078 647	-1 030 150
<b>Balance at end of year</b>	<b>48 455 125</b>	<b>36 358 121</b>

**14.2.1 Members information**

The continued medical aid is a defined benefit plan of which the members are made up as follows:

In-service (employee) members	243	231
Continuation members	31	31
<b>Total Members</b>	<b>274</b>	<b>262</b>

The liability in respect of past service has been estimated to be as follows:

In-service members	36 702 845	25 919 709
Continuation members	12 830 927	11 468 562
<b>Total Liability</b>	<b>49 533 772</b>	<b>37 388 271</b>

**14.2.2 Actuarial adjustments were calculated as follows**

Change in basis	5 807 802	1 035 938
Experience	1 542 911	-1 474 228
<b>Actuarial (Gain) / Loss</b>	<b>7 350 713</b>	<b>-438 290</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**14.2.3 The municipality makes monthly contributions for health care arrangements to the following medical aid schemes**

Bonitas  
LA Health  
Key Health  
Samwumed

**14.2.4 Future service and interest cost estimation**

The Future-service Cost for the next year is estimated to be R 2,995,665 whereas the Interest Cost for the next year is estimated to be R 4,413,459.

**14.2.5 Sensitivity Analysis**

	Liability	Cost (Saving)	% Change
<b>Health Care Inflation</b>			
Current Assumption (7.92%)	49 533 722		
-1% (6.92%)	41 712 053	-7 821 669	-16%
+1% (8.92%)	59 429 421	9 895 699	20%
<b>Mortality</b>			
Current Assumption (Pa90-1)	49 533 722		
Pa90 standard	47 675 577	-1 858 145	-4%
Pa90-2	51 416 261	1 882 539	4%
<b>Retirement</b>			
Current Assumption (Retire 63 years)	49 533 722		
Retire at 60	61 111 237	11 577 515	23%
Retire at 65	42 946 650	-6 587 072	-13%

**14.2.6 Key Actuarial Assumptions used**

**Interest Rate**

Discount rate	8.91%	9.56%
General Inflation	6.42%	6.32%
Medical Inflation	7.92%	7.82%
Real Rate (GAP) - Post Retirement Interest Rate	0.92%	1.61%

**Mortality Rates**

Pre-retirement mortality as per SA85-90 (light) table.

Post-retirement mortality as per PA (90) tables rated down by 1 year

**Normal Retirement age**

Normal retirement age is 65. It has been assumed that in-service members will retire at age 63, which then implicitly allows for expected rates of early and ill-health retirement.

**14.2.7 Reconciliation of present value of fund obligation**

Balance at beginning of year	37 388 271	33 850 805
Current Service Cost	2 194 142	1 864 474
Interest Cost	3 572 834	3 074 263
Actuarial (Gain)/Loss	7 350 713	-438 290
Liability settlements	-972 188	-962 981
<b>Balance at end of year</b>	<b>49 533 772</b>	<b>37 388 271</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>14.3 Rehabilitation of landfill sites</b>		
Balance at beginning of year	9 640 394	-
Contributions to provision	2 084 597	5 923 216
Increase / (decrease) in provision due to discounting	-434 154	
Expenditure incurred	-	-
	<b>11 290 837</b>	<b>5 923 216</b>
Transfer to current provision	-6 842 106	-462 168
<b>Balance at end of year</b>	<b>4 448 730</b>	<b>5 461 048</b>

**Key assumptions**

The timing for the possible outflow of resources for the rehabilitation for the landfill site could not be determined at the date of the financial statements.

The following key assumptions were made to arrive at the amount disclosed as a possible future obligation:

- 1) Environmental impact process for establishment of solid waste disposal site
- 2) Supply and operation of machinery to transfer refuse
- 3) Sloping and spreading of slopes and ground work, including manual hand labour

An estimated amount was calculated. An average inflation rate of 5.6% as per MFMA Circular 75 and a discount rate of 8.43 % / 8.88 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

**14.4 Litigations**

Balance at beginning of year	27 045 418	63 827 046
Contributions to provision	-	-
Write-off on settlement / reversal	-2 269 795	-36 676 628
Expenditure incurred	-	-105 000
	<b>24 775 623</b>	<b>27 045 418</b>
Transfer to current provision	-	-
<b>Balance at end of year</b>	<b>24 775 623</b>	<b>27 045 418</b>

**14.4.1 Telkom SA Ltd**

<b>31 619</b>	<b>21 098</b>
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The municipality damaged Telkom cables for which Telkom has issued a summons on 2 November 2010. The claim relates to the period prior to 30 June 2011. Telkom has sent the municipality a settlement agreement in the 2013/14 financial year. The matter is expected to be settled by 30 June 2015.

**14.4.2 GH Galeng and KN Colane**

<b>-</b>	<b>1 930 000</b>
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The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2015.

**14.4.3 Fynbosland 435 cc**

<b>24 000 000</b>	<b>24 000 000</b>
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The municipality allegedly did not pay outstanding claims on the housing project for which Fynbosland 435 cc has issued a notice of motion on 25 September 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2015.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>14.4.4 WF van der Ryst</b>	<b>60 000</b>	<b>60 000</b>
The municipality allegedly damaged the plaintiff's cables for which WF van der Ryst has issued a summons on 12 November 2010. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2015.		
<b>14.4.5 Mrs BS Nsedame</b>	<b>100 000</b>	<b>100 000</b>
The municipality allegedly falsely accused the plaintiff for which Mrs BS Nsedame has issued a summons on 13 August 2009. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2015.		
<b>14.4.6 Cape Joint Pension Fund</b>	<b>615 623</b>	<b>615 623</b>
The municipality allegedly failed to pay funds over to the pension fund for which Cape Joint Pension Fund has issued a summons on 27 June 2012. The claim relates to the period prior to 30 June 2011. The matter is not expected to be settled by 30 June 2015.		
<b>14.4.7 Tshiriletso Security Force cc</b>	<b>-</b>	<b>339 795</b>
The municipality allegedly awarded a tender to another party for which Tshiriletso Security Force cc has issued a notice of motion on 27 November 2012 in an attempt to have the tender set aside. The claim relates to the 2012/13 financial year. The matter is not expected to be settled by 30 June 2015.		

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>15. PROPERTY RATES</b>		
<b>Actual</b>		
Residential	9 792 480	10 702 325
Commercial	16 702 654	10 893 359
State	7 847 098	7 991 287
<b>Total property rates</b>	<b>34 342 232</b>	<b>29 586 970</b>
Property rates - penalties imposed and collection charges	-	-
<b>Total</b>	<b>34 342 232</b>	<b>29 586 970</b>
<b>Valuations</b>		
Residential	2 141 191 462	1 562 227 481
Businesses	912 716 440	538 911 108
Industrial	127 838 000	53 592 100
Agricultural	4 134 789 150	2 074 950 522
Government	432 089 000	357 232 305
<b>Total</b>	<b>7 748 624 052</b>	<b>4 586 913 516</b>
<p>Valuations on land and buildings are performed every four years. The new general valuation (GV) roll came into effect on 1 July 2014. The MPRA objection and appeals process of the GV were finalised during April 2015. Supplementary valuation roll 1 was completed in May 2015 and the MPRA process started, effective only during 2015/2016. The following rates are applied to property valuations to determine annual assessment rates:</p>		
Residential	0.00606	0.00746
Businesses	0.01211	0.01491
Industrial	0.01211	0.01491
Agricultural	0.00151	0.00186
Agricultural : Businesses	0.00303	0.00373
Government	0.01817	0.02237
<b>16. SERVICE CHARGES</b>		
Sale of electricity	97 549 333	83 528 914
Sale of water	13 707 142	22 480 335
Refuse removal	14 257 924	13 669 973
Sewerage and sanitation charges	14 438 949	13 968 700
<b>Total service charges</b>	<b>139 953 348</b>	<b>133 647 922</b>
<b>17. RENTAL OF FACILITIES AND EQUIPMENT</b>		
Rental of facilities	728 932	1 109 342
Rental of equipment	8 649	6 572
<b>Total rentals</b>	<b>737 581</b>	<b>1 115 914</b>
<b>18. INTEREST EARNED</b>		
External investments	235 094	574 971
Outstanding receivables	13 503 505	11 406 180
<b>Total interest</b>	<b>13 738 599</b>	<b>11 981 151</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**19. GOVERNMENT GRANTS AND SUBSIDIES**

Equitable share	36 699 000	34 611 000
Municipal Infrastructure Grant	30 627 419	11 531 761
Dr Ruth S Mompoti District Municipality Grant	21 397 559	18 472 609
INEP Grant	20 266 367	13 012 853
Finance Management Grant	1 600 000	1 550 000
Department of Sports, Arts and Culture Grant	497 250	246 804
Municipal Systems Improvement Grant	934 000	890 000
Expanded Public Works Programme Grant	1 846 000	1 000 000
LG Seta Grant	653 981	598 941
Department of Energy Grant (SANEDI)	12 913 919	-
Fire Grant	700 000	-

<b>Total government grants and subsidies</b>	<b>128 135 495</b>	<b>81 913 968</b>
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**19.1 Equitable share**

This grant is utilised to fund the operations of the municipality in accordance with the approved MTREF budget.

<b>36 699 000</b>	<b>34 611 000</b>
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**19.2 Municipal Infrastructure Grant**

Balance unspent at beginning of year	10 846 582	-
Current year receipts	30 051 000	22 379 000
Net balance claimed against debtor / creditor	-9 309 000	-657
Conditions met - transferred to revenue	-30 627 419	-11 531 761

<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>961 163</b>	<b>10 846 582</b>
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To provide specific capital finance for basic municipal infrastructure backlogs for poor households, micro enterprises and social institutions servicing poor communities. No funds have been withheld.

**19.3 Dr Ruth S Mompoti District Municipality Grant**

Balance unspent at beginning of year	2 495 400	3 700 000
Current year receipts	19 167 578	17 269 355
Net balance claimed against debtor	-	-
Conditions met - transferred to revenue	-21 397 559	-18 473 955

<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>265 419</b>	<b>2 495 400</b>
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The district municipality assists the local municipality with this grant when it is in need. No funds have been withheld.

**19.4 INEP Grant**

Balance unspent at beginning of year	5 861 123	2 276
Current year receipts	8 000 000	18 871 700
Net balance claimed against debtor / creditor	6 405 244	-
Conditions met - transferred to revenue	-20 266 367	-13 012 853

<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>5 861 123</b>
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To implement the Integrated National Electrification Programme (INEP) by providing capital subsidies to Eskom to address the electrification backlog of occupied residential dwelling, the installation on bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply. No funds have been withheld.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**19.5 Finance Management Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 600 000	1 550 000
Conditions met - transferred to revenue	-1 600 000	-1 550 000
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>-</b>

This grant is used to fund the financial operations of the municipality. No funds have been withheld.

**19.6 Department of Sport, Art and Culture Grant**

Balance unspent at beginning of year	497 250	214 054
Current year receipts	-	530 000
Conditions met - transferred to revenue	-497 250	-246 804
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>497 250</b>

To facilitate mass participation within communities and schools. No funds have been withheld.

**19.7 Municipal Systems Improvement Grant**

Balance unspent at beginning of year	-	-
Current year receipts	934 000	890 000
Conditions met - transferred to revenue	-934 000	-890 000
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>-</b>

This grant is used to fund training of municipal staff. No funds have been withheld.

**19.8 Expanded Public Works Programme Grant**

Balance unspent at beginning of year	-	-
Current year receipts	1 846 000	1 000 000
Conditions met - transferred to revenue	-1 846 000	-1 000 000
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>-</b>

This grant is used to fund labour based capital expansion programs. No funds have been withheld.

**19.9 LG Seta Grant**

Balance unspent at beginning of year	-	-
Current year receipts	653 981	598 941
Conditions met - transferred to revenue	-653 981	-598 941
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>-</b>

This grant is used to fund training of community members. No funds have been withheld.



**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**19.10 Department of Energy Grant (SANEDI)**

Balance unspent at beginning of year	-	-
Current year receipts	12 000 000	-
Net balance claimed against debtor / creditor	913 919	-
Conditions met - transferred to revenue	-12 913 919	-
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>-</b>

This grant is used to fund the implementation of the municipality's smart electricity meter program. No funds have been withheld.

**19.11 Fire Grant**

Balance unspent at beginning of year	700 000	-
Current year receipts	-	700 000
Conditions met - transferred to revenue	-700 000	-
<b>Conditions still to be met - transferred to liabilities (see Note 12)</b>	<b>-</b>	<b>700 000</b>

This grant is used to fund the replacement of fire equipment. No funds have been withheld.

**19.12 Changes in levels of government grants**

Based on the allocations set out in the Division of Revenue Act, significant increases in the level of government grant funding are expected over the forthcoming 3 financial years.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>20. OTHER INCOME</b>		
Valuation certificates	9 518	11 972
Salary deductions commission	201 786	199 592
Bid document fees	35 670	46 527
Surplus cash	1 279	3 038
Insurance claims received	-	1 316
Sundry creditors written-off	2 712 203	36 721 359
PPE transfer received	29 907 854	21 324 273
Reversal of unwinding of discounting	-	2 324 191
Employee bursaries recovered	-	18 595
Entrance fees	188 818	194 884
Advertisement fees	3 129	3 739
Commission on sales	685 445	979 391
Library: Lost books	-	490
Membership fees	660	-
Photocopy charges	7 702	1 997
Cemetery fees	240 659	237 031
Roadworthy certificates	378 570	288 468
Private works	-	14 378
Availability fees	355 057	181 126
Eskom Commercial Fees	-	-
Re-connection fees	79 839	49 510
Parking meters	20 168	-
Business registration fees	11 031	18 579
Sale of plans	22 239	59 775
Sub-division fees	86 410	98 265
Servitude Fees	-	-
Building plan fees	178 412	177 820
Sundry income	7 475	64 677
<b>Total other income</b>	<b>35 133 925</b>	<b>63 020 991</b>

**PPE transfer received** consists of infrastructure projects and moveable assets transferred to the municipality from the District Municipality, NW Department of Roads and local businesses.

**21. EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and wages	86 896 724	74 564 973
Employee related costs - Contributions to UIF, pensions and medical	20 485 695	17 978 169
Travel and motor car allowances	10 271 274	8 422 416
Housing benefits and allowances	674 274	636 299
Overtime payments	7 793 600	6 427 740
Performance and other bonuses	5 877 187	5 500 829
Long-service awards	752 062	814 096
Continued medical aid contributions	3 659 194	472 092
Other employee related costs	4 078 537	3 525 260
<b>Total employee related costs</b>	<b>140 488 547</b>	<b>118 341 874</b>

There were no advances to employees.

**Remuneration of the Municipal Manager**

Annual remuneration	954 475	959 192
Performance and other bonuses	-	-
Travel allowance	201 484	171 525
Contributions to UIF, medical and pension funds	200 428	156 289
<b>Total</b>	<b>1 356 387</b>	<b>1 287 007</b>

**Remuneration of the Chief Financial Officer**

Annual remuneration	791 038	709 200
Performance and other bonuses	-	-
Travel allowance	474 746	445 661
Contributions to UIF, medical and pension funds	14 442	15 834
<b>Total</b>	<b>1 280 226</b>	<b>1 170 695</b>

**Remuneration of individual executive managers**

Remuneration of individual executive managers are reflected per **note 49**.

**NALEDI LOCAL MUNICIPALITY**  
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	2015 R	2014 R
<b>22. REMUNERATION OF COUNCILLORS</b>		
Mayor	711 532	672 500
Speaker	544 267	510 022
Executive committee members	1 529 091	1 472 046
Councillors	2 907 859	2 762 636
Councillors' pension, medical aid and SDL contributions	595 027	438 866
<b>Total councillors' remuneration</b>	<b>6 287 777</b>	<b>5 856 071</b>
<b>In-kind benefits</b>		
The Mayor is full-time. The Mayor is provided with an office and secretarial support at the cost of the Council.		
The Mayor has use of a Council owned vehicle with one driver for official duties.		
<b><u>Remuneration of individual councillors</u></b>		
Remuneration of individual councillors are reflected per <b>Note 50</b> .		
<b>23. IMPAIRMENT OF RECEIVABLES</b>		
The movement in provision of receivables is set out below:		
Increase in provision of receivables	30 068 238	40 924 920
<b>Total impairment of receivables</b>	<b>30 068 238</b>	<b>40 924 920</b>
<b>24. GRANTS AND SUBSIDIES PAID</b>		
Donations	19 850	16 076
Community bursaries	19 000	-
Community capacity building and training	18 500	-
LED projects	155 845	27 183
Pauper burials	3 150	6 878
Naledi Animal Shelter	60 000	56 000
Disaster relief aid	5 149	14 752
District Municipality Asset Grant	2 632 567	377 568
SANRAL Asset Grant	4 728 852	-
Refuse bags	121 050	100 423
Refuse bins	-	-
<b>Total grants and subsidies paid</b>	<b>7 763 962</b>	<b>598 880</b>
<b>25. DEPRECIATION AND AMORTISATION EXPENSE</b>		
Property, plant and equipment - Depreciation	45 517 121	48 634 994
Property, plant and equipment - Impairment losses	5 905 957	-
<b>Total depreciation and amortisation</b>	<b>51 423 078</b>	<b>48 634 994</b>
<b>26. FINANCE COSTS</b>		
Borrowings	-	811 080
Consumer deposits	-	207
Bank overdrafts	-	-
Creditors	17 561 576	11 287 003
SARS	93 102	1 005 430
Other creditors	8 024	4 921
Finance lease liability	218 884	69 351
Actuarial valuations	4 245 164	3 606 991
<b>Total finance costs</b>	<b>22 126 750</b>	<b>16 784 983</b>

**NALEDI LOCAL MUNICIPALITY**  
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	2015 R	2014 R
<b>27. BULK PURCHASES</b>		
Electricity	70 901 061	63 250 147
Water	11 415 317	9 660 935
<b>Total bulk purchases</b>	<b>82 316 378</b>	<b>72 911 081</b>
<b><u>Distribution Losses</u></b>		
<b>Electricity</b>		
Electricity Purchased (MWh)	94 574	91 922
Electricity Sold (MWh)	-79 529	-70 594
Total loss Incurred (MWh)	15 045	21 328
Average Cost per MWh	745.69	688.09
<b>Total Loss (R)</b>	<b>11 218 757</b>	<b>14 675 308</b>
<b>Water</b>		
Water Purchases and pumped (KL)	8 642 017	7 888 751
Water Purchased Loss (KL)	1 473 447	1 225 901
Water Pumping Loss (KL)	1 983 360	1 929 600
Total Loss Incurred (KL)	3 456 807	3 155 501
Average Cost per KL purchased	3.18	2.97
Average Cost per KL pumped	0.89	0.75
<b>Total Loss (R)</b>	<b>6 455 566</b>	<b>5 091 482</b>
<b>28. CONTRACTED SERVICES</b>		
Security services	3 000 772	2 344 891
Forensic investigating services	-	-
Accounting services	254 776	1 561 452
Payroll services	-	38 039
Valuation services	432 352	1 736 601
Meter reading services	397 742	405 149
Recruitment services	-	-
Employee training services	-	-
OHS Services	-	48 060
Performance information services	-	-
Professional Services - Transfer costs	-	491
Contracted Workers	3 614 904	6 786 667
Contracted Services	12 077	202 562
Commission paid	-	3 112
Bulk water provision services	1 129 215	720 389
Refuse removal services	783 891	422 580
Sewerage removal services	1 856 787	1 640 442
Business plans and feasibility services	-	-
Professional Fees	23 793	-
Architectural services	9 000	-
Professional Services	960 854	781 501
<b>Total contracted services</b>	<b>12 476 163</b>	<b>16 691 935</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>29. GENERAL EXPENSES</b>		
Included in general expenses are the following:		
Advertising	305 569	357 909
Antiseptics and medication	-	791
Audit fee	2 142 399	2 707 852
Bank charges	444 764	432 825
Books and publications	-	8 724
Chemicals	152 281	170 896
Cleaning materials and consumables	98 025	171 965
Congresses and conferences	47 739	69 418
Community functions	61 476	240 684
Community functions/IDP	33 322	44 855
Commission paid on sales	-	30 241
Employee assistance program	127 180	101 506
Employee bursaries	175 919	86 780
Employee furniture removal costs	15 765	-
Employee sports program	393 987	330 593
Employee arbitration cases	87 491	91 703
Employee accommodation incentive	37 212	29 480
Employee OHS assessments	6 919	-
Electricity	4 220 230	4 089 792
Entertainment - Councillors	-	-
Entertainment - Officials	-	3 104
Gardening expenses	2 804	8 725
Grave markers and consumables	1 781	4 438
Insurance premiums	1 296 319	1 094 635
Internet charges	12 978	39 862
Mayoral inauguration	-	-
Kitchen ware and cutlery	342	9 016
Licenses : Radios	-	-
Licenses: Other	-	1 414
Legal expenses	194 992	763 303
Machinery : Fuel and oil	85 621	260 491
Material	-	2 681
Membership fees : Societies	1 436 441	998 022
Pest control	435	-
Postage stamps and telegraphs	687 154	734 113
Printing and stationery	1 482 609	1 445 509
Promotion and marketing	94 800	149 138
Refreshments and meals	159 504	240 604
Rental : Equipment	753 674	791 553
Rental : Office	-	-
SARS Penalties	8 692	849 306
Salt Feed and Medicine	75	29 979
Small tools and equipment	85 834	333 321
Software expenses	888 630	1 109 967
Special projects	54 599	114 265
Sundry expences	24 739	115 852
Telephone	1 943 969	1 619 123
Title deed search	6 186	4 748
Training and courses	1 896 485	1 131 910
Travel and subsistence : Councillors	195 674	156 471
Travel and subsistence : Officials	2 119 960	2 307 223
Travel and subsistence : Interviews	28 744	21 293
Uniforms and protective clothing	406 827	557 033
Vehicles : Fuel and oil	2 388 847	2 790 806
Vehicles : Licenses	171 556	195 411
Rental: Vehicles	376 746	163 683
Water supply	-	-
Ward Committee Stipends	894 850	879 670
Workmans compensation	921 339	843 408
	<b>26 973 481</b>	<b>28 736 092</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>30. GAIN / (LOSS) ON DISPOSAL OF PPE</b>		
Property, plant and equipment	-292 048 109	-7 887 217
<b>Total gain / (loss) on disposal of PPE</b>	<b>-292 048 109</b>	<b>-7 887 217</b>
<b>31. CASH GENERATED BY OPERATIONS</b>		
Deficit for the year	-323 728 140	-42 885 635
Adjustment for:		
Depreciation and amortisation	51 423 078	48 634 994
Sundry creditors written-off	-2 712 203	-36 721 359
Gain / (loss) on disposal of property, plant and equipment	292 048 109	7 887 217
Property, plant and equipment transfer received	-29 907 854	-21 324 273
(Increase) / decrease in natural movement of game / animals	-988 750	179 900
(Increase) / decrease in landfill site provision movement	-2 937 575	-5 923 216
Contribution to provisions	12 582 436	-31 233 259
Fair value adjustments	-	-
Impairment of receivables	10 115 864	26 698 875
Finance costs	22 126 750	16 784 983
Interest earned	-13 738 599	-11 981 151
<b>Operating surplus before working capital changes:</b>	<b>14 283 115</b>	<b>-49 882 925</b>
(Increase)/decrease in trade receivables	-5 397 499	-26 344 530
(Increase)/decrease in other receivables	-3 914 707	35 978 030
(Increase)/decrease in inventory	-105 290	936 054
(Increase)/decrease in VAT receivable	-3 261 899	-5 293 650
Increase/(decrease) in trade payables	82 655 842	61 415 877
Increase/(decrease) in consumer deposits	1 766 475	301 373
Increase/(decrease) in conditional grants and receipts	-19 173 773	16 484 025
Increase/(decrease) in finance lease liability	-372 291	-339 153
<b>Cash generated by / (utilised in) operations</b>	<b>66 479 974</b>	<b>33 255 102</b>
<b>32. CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents included in the cash flow statement comprise the following :		
Bank balances and cash	1 243 371	1 322 993
Short term investments	41 530	136 033
<b>Total cash and cash equivalents</b>	<b>1 284 901</b>	<b>1 459 026</b>
<b>33. CHANGE IN ACCOUNTING POLICY</b>		
No adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies.		

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**34. CORRECTION OF ERROR**

The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors:

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

**Statement of Financial Position**

**Current assets**

	<b>50 294 961</b>	<b>50 811 590</b>	<b>516 630</b>
Cash and cash equivalents	1 459 026	1 459 026	-
Trade and other receivables from exchange transactions	25 407 914	25 407 914	-
Other receivables from non-exchange transactions	3 991 455	4 493 971	502 516
Inventories	2 830 474	2 830 474	-
VAT receivable	16 606 092	16 620 206	14 114

**Non-current assets**

	<b>990 622 582</b>	<b>990 626 447</b>	<b>3 865</b>
Property, plant and equipment	989 903 296	989 907 161	3 865
Heritage assets	719 286	719 286	-
Biological assets	-	-	-

**Total Assets**

**1 040 917 543      1 041 438 037      520 495**

**Current liabilities**

	<b>302 246 078</b>	<b>302 573 222</b>	<b>327 143</b>
Trade and other payables from exchange transactions	240 132 525	240 459 668	327 143
Consumer deposits	3 880 049	3 880 049	-
Current provisions	6 062 060	6 062 060	-
Current portion of unspent conditional grants and receipts	20 400 355	20 400 355	-
Current portion of borrowings	31 379 753	31 379 753	-
Current portion of finance lease liability	391 336	391 336	-

**Non-current liabilities**

	<b>76 277 876</b>	<b>76 277 876</b>	<b>-</b>
Non-current provisions	76 277 876	76 277 876	-
Non-current borrowings	-	-	-

**Total Liabilities**

**378 523 954      378 851 097      327 143**

**Net assets**

**662 393 589      662 586 939      193 352**

**Net assets**

	<b>662 393 589</b>	<b>662 586 940</b>	<b>193 352</b>
Reserves	2 797 286	2 797 286	-
Accumulated surplus / (deficit)	659 596 303	659 789 655	193 352

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

Previous disclosure	Restated disclosure	Correction of Error
R	R	R

**Statement of Financial Performance**

<b>Revenue</b>	<b>328 993 942</b>	<b>328 993 943</b>	<b>-</b>
Property Rates	29 586 970	29 586 970	-
Property rates - penalties imposed and collection charges	-	-	-
Service Charges	133 647 922	133 647 922	-
Rental of facilities and equipment	1 115 914	1 115 914	-
Interest earned - external investments	574 971	574 971	-
Interest earned - outstanding receivables	11 406 180	11 406 180	-
Fines	1 854 650	1 854 650	-
Licences and Permits	5 872 376	5 872 376	-
Government grants and subsidies	81 913 968	81 913 968	-
Other income	63 020 991	63 020 991	-
<b>Expenses</b>	<b>361 770 084</b>	<b>362 314 581</b>	<b>544 497</b>
Employee related costs	118 341 874	118 341 874	-
Remuneration of councillors	5 856 071	5 856 071	-
Impairment of receivables	40 924 920	40 924 920	-
Collection costs	-	-	-
Depreciation and amortisation expense	48 634 994	48 634 994	-
Grants and subsidies paid	598 880	598 880	-
Finance costs	16 784 983	16 784 983	-
Bulk purchases	72 911 079	72 911 081	2
Repairs and maintenance	12 805 330	12 833 751	28 421
Contracted services	16 342 661	16 691 935	349 274
General expenses	28 569 292	28 736 092	166 800
<b>Other items</b>	<b>-9 564 997</b>	<b>-9 564 997</b>	<b>-</b>
Gain / (loss) on disposal of PPE	-7 887 217	-7 887 217	-
Gain / (loss) on natural movements of game / animals	-179 900	-179 900	-
Gain / (loss) on disposal of Biological Assets	-	-	-
Gain / (loss) on borrowings redeemed	-	-	-
Gain / (loss) on actuarial valuation	-1 497 880	-1 497 880	-
Gain / (loss) on fair value adjustment	-	-	-
<b>Suplus / deficit for the year</b>	<b>-42 341 139</b>	<b>-42 885 635</b>	<b>-544 497</b>



**NALEDI LOCAL MUNICIPALITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
	Effect of restatement on 2013/14 R	Effect of restatement on 2012/13 R
		Total effect of restatement R

### 34.1 Other receivables from non-exchange transactions

During the year it was noted that the other receivables from non-exchange transactions was previously understated in the 2013/14 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

## Statement of financial position

Increase in other receivables from non-exchange transactions	502 516	-	502 516
Increase in accumulated surplus / (deficit)	-	592 663	592 663

## Statement of financial performance

Increase in bulk purchases	2	-	2
Increase in general expense	61 725	-	61 725
Increase in repairs and maintenance	28 421	-	28 421

### 34.2 VAT receivable

During the year it was noted that VAT receivable was previously understated in the 2013/14 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

## Statement of financial position

Increase in VAT receivable	14 114	-	14 114
Decrease in trade and other payables from exchange transaction	14 114	-	14 114

### 34.3 Property, plant and equipment

During the year it was noted that property, plant and equipment was previously understated in the 2013/14 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

## Statement of financial position

Increase in property, plant and equipment	3 865	-	3 865
Increase in accumulated surplus / (deficit)	-	3 865	3 865

#### 34.4 Trade and other payables from exchange transactions

During the year it was noted that the trade and other payables from exchange transactions balance was previously understated in the 2013/14 financial year. This has now been correctly disclosed and the effect of the restatement is as follows:

## Statement of financial position

Increase in trade and other payables from exchange transaction	327 143	-	327 143
Increase in VAT receivable	14 114	-	14 114
Increase in accumulated surplus / (deficit)	-	141 320	141 320

## Statement of financial performance

Increase in general expenditure	105 075	-	105 075
Increase in contracted services	349 274	-	349 274

No further adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the correction of errors.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
<b>35. UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE</b>		
<b>35.1 Unauthorized expenditure</b>		
Balance brought forward	54 322 626	149 642 545
Unauthorized expenditure current year	52 783 162	54 322 626
Condoned or written-off by council	-	-149 642 545
Recovery of unauthorized expenditure	-	-
<b>Balance carried forward</b>	<b>107 105 788</b>	<b>54 322 626</b>
<b>35.1.1 Over expenditure on operating budget for the 2013/14 year</b>	<b>26 474 696</b>	<b>26 474 696</b>
The unauthorized expenditure relates to the 2013/14 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
<b>35.1.2 Over expenditure on capital budget for the 2013/14 year</b>	<b>9 457 075</b>	<b>9 457 075</b>
The unauthorized expenditure relates to the 2013/14 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
<b>35.1.3 Unspent conditional grants not cash backed for the 2013/14 year</b>	<b>18 390 856</b>	<b>18 390 856</b>
The unspent conditional grant balance at the 2013/14 financial year-end was not cash backed due to cash flow problems. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
<b>35.1.4 Over expenditure on operating budget for the 2014/15 year</b>	<b>19 674 301</b>	<b>-</b>
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on individual operating expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
<b>35.1.5 Over expenditure on capital budget for the 2014/15 year</b>	<b>26 703 617</b>	<b>-</b>
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on individual capital expenditure votes. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
<b>35.1.6 Over expenditure on INEP funded project for the 2014/15 year</b>	<b>6 405 244</b>	<b>-</b>
The unauthorized expenditure relates to the 2014/15 financial year regarding over-expenditure on INEP funded projects. The unauthorized expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**35.2 Fruitless and wasteful expenditure**

Balance brought forward	14 645 586	47 267 904
Fruitless and wasteful expenditure current year	17 671 394	13 957 947
Condoned or written-off by council	-	-46 580 265
Recovery of fruitless and wasteful expenditure	-	-
<b>Balance carried forward</b>	<b>32 316 980</b>	<b>14 645 586</b>

**35.2.1 Penalties and interest for the 2012/13 year**

<b>687 639</b>	<b>687 639</b>
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2012/13 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**35.2.2 Penalties and interest for the 2013/14 year**

<b>13 957 947</b>	<b>13 957 947</b>
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, DBSA, Eskom and other payables in the 2013/14 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**35.2.3 Penalties and interest for the 2014/15 year**

<b>17 671 394</b>	<b>-</b>
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The fruitless and wasteful expenditure mainly relates to penalties and interest on late payments to SARS, Eskom and other payables in the 2014/15 financial year. The late payments are due to cashflow challenges being experienced by the municipality. The fruitless and wasteful expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**35.3 Irregular expenditure**

Balance brought forward	151 294 378	138 540 963
Irregular expenditure current year	2 440 875	27 112 751
Condoned or written-off by council	-	-14 359 336
Recovery of irregular expenditure	-	-

**Balance carried forward**

<b>153 735 253</b>	<b>151 294 378</b>
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**35.3.1 Procurement not in line with SCM for the 2009/10 year**

<b>17 560 592</b>	<b>17 560 592</b>
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The irregular expenditure relates to procurement in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**35.3.2 Procurement on housing project not in line with SCM for the 2009/10 year**

<b>79 690 499</b>	<b>79 690 499</b>
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The irregular expenditure relates to procurement on the housing project in the 2009/10 financial year not in line with SCM Regulations. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**35.3.3 Procurement not in line with SCM for the 2012/13 year**

<b>7 671 878</b>	<b>7 671 878</b>
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The following irregular expenditure relates to procurement in the 2012/13 financial year not in line with SCM Regulations:

a) Goods and services (Between R30,000 and R200,000) to the value of R194,805.08 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

b) Goods and services (Between R2,000 and R30,000) to the value of R70,485.98 were acquired not in terms of regulation 12 of the Municipal Supply Chain Management Regulations.

c) Contract no NLM2013-033A - Supply and Installation of Endpoint Data Backup of Disaster Recovery in Naledi Local Municipality was awarded to Datafox for R400,140.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

d) Contract no NLM2013-015A - Supply and Delivery of 6.7mm Raodstone was awarded to Loojwa Civil Construction and Works for R1,297,712.00 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

e) Contract no NLM2013-016A-1 - Supply and Delivery of Motor Vehicle Tyres was awarded to Midas - Randburg for R250,512.97 not in terms of section 28(1)(c) of the Municipal Supply Chain Management Regulations.

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
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f) Transfer costs (R1,954,576.80) and legal fees (R1,266,767.61) to the total value of R3,221,344.41 was incurred to the municipality's attorneys, Du Plessis-Viviers, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

g) Various suppliers did business with the municipality to the total value of R29,480.00. Employees of the municipality have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

h) Various suppliers did business with the municipality to the total value of R277,632.80. Employees of other state institutions have business interest in these suppliers, which is in contravention of section 13(c) of the Municipal Supply Chain Management Regulations.

i) Various orders were awarded to Naledi Builders for the total value of R331,988.61, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

j) Various orders were awarded to Lithotech Sales Bloemfontein for the total value of R512,808.20, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

k) Various orders were awarded to Tshireletso Security Force for the total value of R1,084,967.48, not in terms of section 11(3) of the Municipal Supply Chain Management Regulations and section 12(3) of the Municipal Supply Chain Management Policy.

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

### 35.3.4 Procurement not in line with SCM for the 2013/14 year

**26 921 122**

**26 921 122**

The following irregular expenditure relates to procurement in the 2013/14 financial year not in line with SCM Regulations:

a) Various goods and / or services to the value of R213,955.72 were purchased from suppliers in which persons in the service of state institutions have an interest in contravention of Section 44 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

b) Various goods and / or services to the value of R2,068,200.00 were purchased from suppliers in which spouses, partners and associates of persons in the service of the municipality have an interest, but did not declare the connection and / or interest. This is in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005) and Section 5(1) of the Municipal Systems Act (Act 23 of 2000 Schedule 2).

c) Various goods and / or services to the value of R11,103,602.49 were purchased in contravention of Section 12(1) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005), Section 12(3) Range of procurement processes of the Municipality's Supply Chain Management Policy and Section 19 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

d) Various goods and / or services to the value of R348,252.61 were purchased from suppliers from which SARS tax clearance certificates were not obtained in contravention of Section 14 of the Preferential Procurement Regulations (8 June 2011) and Section 13(b) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

	2015 R	2014 R
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e) Services to the value of R27,023.67 were purchased from a supplier, which constituted a deviation from the Preferential Procurement Policy Framework and is in contravention of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

f) Various goods and / or services to the value of R654,299.32 were purchased from suppliers that had not completed their declaration of interest in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

g) Goods and services to the value of R12,505,787.72 were purchased from a supplier for which the bid was not advertised by the municipality for the required timeframe in contravention of Section 18(a) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.5 Councillor medical aid contribution exceeding the upper limit for the 2010/11 year

**19 541**

**19 541**

The irregular expenditure relates to the medical aid contributions for a councillor that exceeded the monthly upper limit as stipulated per the Government Gazette of 10 December 2010. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.6 Salary increment not in terms of council resolutions for the 2010/11 year

**71 562**

**71 562**

The irregular expenditure relates to salary increments paid to section 57 managers that do not agree to salary increment approvals as per council resolutions. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.7 Non-compliance with PPFA for the 2010/11 year

**3 629 306**

**3 629 306**

The irregular expenditure relates to non-compliance with the PPPFA section 2(1)(e) and (f) in the awarding of a tender to Thembaniti Business Enterprise cc. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.8 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Erante Konsultante for the 2010/11 year

**5 280 068**

**5 280 068**

The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Erante Konsultante. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.9 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Fynbosland 435 BK for the 2010/11 year

**2 607 140**

**2 607 140**

The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Fynbosland 435 BK. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
35.3.10 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Geontsi Consulting Engineers for the 2010/11 year	<b>2 142 425</b>	<b>2 142 425</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Geontsi Consulting Engineers. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.11 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd for the 2010/11 year	<b>1 665 198</b>	<b>1 665 198</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Worley Parsons RSA (Pty) Ltd formerly Kwezi V3 Engineers (Pty) Ltd. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.12 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Maximum Profit Recovery (Pty) Ltd for the 2010/11 year	<b>321 557</b>	<b>321 557</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Maximum Profit Recovery (Pty) Ltd. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.13 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Pandel Consulting for the 2010/11 year	<b>3 512 071</b>	<b>3 512 071</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Pandell Consulting. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.14 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Matlala for the 2010/11 year	<b>2 010</b>	<b>2 010</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Matlala. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.15 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Phepafatso for the 2010/11 year	<b>3 000</b>	<b>3 000</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Phepafatso. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		
35.3.16 Non-compliance with Municipal Supply Chain Management Regulations in the appointment of Yanks Logistics for the 2010/11 year	<b>4 780</b>	<b>4 780</b>
The irregular expenditure relates to non-compliance with the Municipal Supply Chain Management Regulations in the awarding of a tender to Yanks Logistics. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.		

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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35.3.17 Non-compliance with MSA Section 54A (2a) with regards to the appointment of acting executive managers for the 2013/14 year

**191 630**

**191 630**

The appointment period of two acting executive managers exceeded the maximum allowed period in terms of the MSA Section 54A (2a). The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.18 Procurement not in line with SCM for the 2014/15 year

**1 592 099**

**-**

The following irregular expenditure relates to procurement in the 2014/15 financial year not in line with SCM Regulations:

a) Various goods and / or services to the value of R33,950.00 were purchased from suppliers in which persons in the service of state institutions have an interest in contravention of Section 44 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

b) Various goods and / or services to the value of R986,100.00 were purchased from suppliers in which spouses, partners and associates of persons in the service of the municipality have an interest, but did not declare the connection and / or interest. This is in contravention of Section 13(c) of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005) and Section 5(1) of the Municipal Systems Act (Act 23 of 2000 Schedule 2).

c) Various goods and / or services to the value of R572,048.70 were purchased from suppliers whose municipal rates and taxes were in arrears, which is in contravention of Section 28 and section 38 of the Municipal Supply Chain Management Regulations (GNR 868 30 May 2005).

The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

35.3.19 Non-compliance with MFMA Circular 62 in the extension of contracts for the 2014/15 year

**848 776**

**-**

The irregular expenditure relates to non-compliance with MFMA Circular 62 in the extension of contracts that exceed the threshold of variations as set out. The irregular expenditure will be investigated and presented to council for decision on recovery or write-off in the 2015/16 financial year.

i) No further material losses or material irregular or fruitless and wasteful expenditures or material unauthorized expenditure had occurred during the financial year.

ii) No criminal or disciplinary steps were taken as a result of losses from the above.

iii) No material losses have been recovered or written-off.



**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**36. ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**

**36.1 Contributions to organised local government: SALGA NW**

Opening balance	145 476	104 556
Council subscriptions	1 436 441	997 496
Amount paid - current year	-734 049	-852 020
Amount paid - previous year	-145 476	-104 556
<b>Balance overpaid (included in debtors)</b>	<b>702 392</b>	<b>145 476</b>

**36.2 Audit fees**

Opening balance	1 610 316	4 158 480
Current year audit fees	2 142 399	2 707 852
Amount paid - current year	-750 880	-1 097 536
Amount paid - previous year	-1 610 316	-4 158 480
<b>Balance unpaid (included in creditors)</b>	<b>1 391 518</b>	<b>1 610 316</b>

**36.3 VAT**

VAT inputs receivables and VAT outputs receivables are shown in **Note 5**. All VAT returns have been submitted.

<b>19 882 104</b>	<b>16 620 206</b>
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**36.4 PAYE and UIF**

Opening balance	1 206 817	-771 503
Current year payroll deductions	17 023 847	14 408 802
Amount paid - current year	-15 471 727	-13 201 985
Amount paid - previous year	-1 206 817	771 503
<b>Balance unpaid (included in debtors)</b>	<b>1 552 120</b>	<b>1 206 817</b>

The balance carried forward represents over-payments made to SARS (under-payment in previous year).

**36.5 Pension and medical aid deductions**

Opening balance	2 167 074	-15 367
Current year payroll deductions and council contributions	29 132 743	25 441 305
Amount paid - current year	-25 179 220	-23 274 231
Amount paid - previous year	-2 167 074	15 367
<b>Balance unpaid (included in debtors)</b>	<b>3 953 523</b>	<b>2 167 074</b>

The balance carried forward represents over-payments made to Pension and Medical Aids (under-payment in previous year).

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	<b>2015</b>	<b>2014</b>
	<b>R</b>	<b>R</b>

**36.6 Councillors' arrear consumer accounts**

The following sundry debtor balances were outstanding for more than 90 days from councillors:

	Outstanding < 90 days	Outstanding > 90 days	Total
<b>As at 30 June 2015</b>			
Cllr. S.T. Modise	64	-	64
Cllr. N.G. Mathiba	617	-	617
Cllr. C.J. Groep	-	-	-
Cllr. E.K. Moroka	209	-	209
Cllr. H.L. Pretorius	3 330	-	3 330
Cllr. K.K. Kgajane	1 142	43 130	44 272
Cllr. D.P. Matobo	1 142	34 582	35 723
Cllr. J.A. Adonis	1 831	-	1 831
Cllr. P.K. Moloi	3 350	16 783	20 133
Cllr. A.N. Bareng	1 198	823	2 021
Cllr. G.A. Coetzee	4 566	-	4 566
Cllr. D.T. Mogale	5	-	5
Cllr. S.B. Kgodumo	-	-	-
Cllr. A. Lekgetho	2 534	15 376	17 909
Cllr. M.J. Nchochoba	1 210	30 499	31 709
Cllr. E.G. Ramorogadi	920	1	921
Cllr. E.P. Renoster	1 257	924	2 180
Cllr. N.R. Thekiso	973	-	973
<b>Total Councillor Arrear Consumer Accounts</b>	<b>24 347</b>	<b>142 117</b>	<b>166 463</b>

**As at 30 June 2014**

MA Nchochoba	1 643	28 525	30 168
D Motobo	1 437	28 577	30 014
ST Modise	1 689	4 403	6 092
ML Thekisho	1 794	2 852	4 646
OJ Bareki	-	-	-
J Mathiba	198	-	198
L Coetzee	1 088	-	1 088
MA Mccarthy	-	-	-
TG Moruri	1 437	11 319	12 756
DP Matobo	113	3 391	3 504
A Diedericks	-	-	-
MG Kegakilwe	1 276	-	1 276
MC Pretorius	255	-	255
MJ Mathiba	1 032	768	1 800
CJ Groep	-	-	-
MF Tinyane	-	-	-
JA Adonis	148	-	148
EP Renoster	128	10	138
BTB Moabi	-	-	-
TG Moroka	-	-	-
<b>Total Councillor Arrear Consumer Accounts</b>	<b>12 238</b>	<b>79 845</b>	<b>92 083</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**36.7 Non-compliance with Chapter 11 of the Municipal Finance Management Act**

Non-compliance due to contravention of the Supply Chain Management Regulations stipulated in Chapter 11 of the MFMA has been disclosed in note **35.3**.

<b>56 201 430</b>	<b>53 760 555</b>
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**36.8 Summary of investments (call accounts)**

Description	Cash book balance at beginning of year R	Cash book balance at end of year R
FIXED DEPOSIT - ABSA - 2030770297 - GENERAL	6 500	-
FIXED DEPOSIT - ABSA - 2033233628 - GENERAL	9 941	-
FIXED DEPOSIT - FNB - 70416038010 - GENERAL	8 041	8 041
FIXED DEPOSIT - FNB - 70416052060 - GENERAL	7 900	7 900
CALL ACCOUNT - FNB - 624 0111 9856 - FMG	1 050	1 032
CALL ACCOUNT - FNB - 624 0112 1364 - MIG	53 201	9 433
CALL ACCOUNT - FNB - 624 0112 3344 - EPWP	1 050	1 016
CALL ACCOUNT - FNB - 624 0112 3625 - LIBRARY FUNDS	1 050	1 012
CALL ACCOUNT - FNB - 624 0112 2255 - MSIG	2 639	1 039
CALL ACCOUNT - FNB - 624 0112 2908 - INEP	3 992	1 019
CALL ACCOUNT - FNB - 624 0112 3964 - EQUITABLE SHARE	6 348	1 089
CALL ACCOUNT - FNB - 624 0112 4235 - LGSETA	1 728	1 014
CALL ACCOUNT - FNB - 624 0112 4805 - NEW LANDFILL SITE	2 138	1 015
CALL ACCOUNT - FNB - 624 0112 5142 - PPE	5 235	1 023
CALL ACCOUNT - FNB - 624 2143 5951 - DISTRICT GRANT	9 983	1 021
CALL ACCOUNT - FNB - 624 2092 5549 - SMART METER PROJECT	3 875	1 810
CALL ACCOUNT - FNB- 624 3538 9342 - PRODIBA	11 362	4 067
	<b>136 033</b>	<b>41 530</b>

**36.9 Deviation from and ratification of minor breaches of procurement processes**

Deviation from procurement processes had taken place and these minor breaches were ratified during the year.

<b>6 069 320</b>	<b>5 120 414</b>
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No further deviation from and ratification of minor breaches of procurement processes had taken place during the year.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**37. CAPITAL COMMITMENTS**

**37.1 Commitments in respect of capital expenditure**

<b>- Approved and contracted for</b>	<b>23 603 909</b>	<b>23 933 355</b>
Property, plant and equipment	23 603 909	23 933 355
<b>- Approved but not yet contracted for</b>	<b>36 363 000</b>	<b>44 748 450</b>
Property, plant and equipment	36 363 000	44 748 450
<b>Total</b>	<b>59 966 909</b>	<b>68 681 805</b>
<b>This expenditure will be financed from:</b>		
- External loans	-	10 000 000
- Government grants	54 129 968	50 129 744
- Own resources	5 836 940	8 552 061
<b>Total</b>	<b>59 966 909</b>	<b>68 681 805</b>

**37.2 Commitments in respect of operating expenditure**

<b>- Approved and contracted for</b>	<b>3 795 635</b>	<b>12 851 842</b>
Operational expenditure	3 795 635	12 851 842
<b>- Approved but not yet contracted for</b>	<b>-</b>	<b>-</b>
Operational expenditure	-	-
<b>Total</b>	<b>3 795 635</b>	<b>12 851 842</b>
<b>This expenditure will be financed from:</b>		
- Government grants	2 379 068	2 503 245
- Own resources	1 416 567	10 348 597
<b>Total</b>	<b>3 795 635</b>	<b>12 851 842</b>

**37.2.1 Commitments for periods longer than 12 months**

**Provision of short-term insurance**

The municipality is committed to the short-term insurance contract for a period of 3 years.

**Provision of valuation roll**

The municipality is committed to the valuation roll contract for a period of 5 years (1 year for compilation and 4 years for supplementary valuation rolls).

**Provision of newsletter**

The municipality is committed to the supply of quarterly newsletter contract for a period of 3 years.

**Provision of sewerage plant operations and maintenance**

The municipality is committed to the sewerage plant operations and maintenance contract for a period of 3 years.

**Provision of refuse bags**

The municipality is committed to the provision of refuse bags contract for a period of 3 years.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**38. EVENTS AFTER THE REPORTING DATE**

No material litigation is outstanding against the Municipality and no other post balance events have occurred after year-end and up to the date of the completion of these financial statements.

**39. RETIREMENT BENEFIT INFORMATION**

**39.1 Defined contribution plan**

An amount of R12,838,418 (R11,460,745 - 2014) was contributed by Council in respect of Councillors and employees retirement funding. These contributions have been expensed and are included in employee related costs for the year.

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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### 40. CONTINGENT LIABILITIES

#### Various legal matters

#### 40.1 NALEDI LOCAL MUNICIPALITY / MAXIMUM PROFIT RECOVERY [PTY] LTD

This is a claim brought by Maximum Profit Recovery (Pty) Ltd for VAT recovery services rendered for which there are outstanding claims that the municipality had allegedly not yet paid for. The Naledi Local Municipality is at risk. The Plaintiff issued summons against the Naledi Local Municipality for services rendered. We filed a notice in terms of Rule 30 of an irregular step. We are awaiting a trial date to argue about the Plaintiff's irregular step. The Municipality is at risk for the amount of R897,417.58 plus costs and interest.

#### 40.2 NALEDI LOCAL MUNICIPALITY AND TORO YA AFRICA / KHASU ENGINEERING

In this matter the applicant Khasu Engineering [Pty] Ltd. brought an application against Naledi Local Municipality as well as Toro Ya Africa. The applicant as such was opposed herein. Our opponents did not proceed with the application as they are at liberty to proceed and there is nothing for us to win herein, we did not proceed further. We are of opinion that the applicant, to wit Khasu Engineering [Pty] Ltd. is insolvent and cannot pay its debt. It will have no effect on us to proceed and try and finalise this matter and also get a cost order against them. The estimated legal costs are an amount of ±R61,000.00. The possible exposure could not be determined. As the opponents have not as yet issued summons, the amount, timing and outflow is uncertain, but not remote.

#### 40.3 NALEDI LOCAL MUNICIPALITY / GH GALENG AND KN COLANE

The municipality allegedly laid false charges against the individuals for which GH Galeng and KN Colane had issued a summons on 20 December 2006. The claim relates to the period prior to 30 June 2011. We are of opinion that they will not proceed with the matter and the risk is very low. The Municipality is at risk for the amount of R1,930,000.

#### 40.4 POST-EMPLOYMENT MEDICAL AID

Due to the difficulty in joining a medical aid fund when nearing retirement, 20% of employees are currently not on a company subsidised medical plan and are likely to join one such medical plan before retirement. This will result in a possible contingent liability for the current year R1,548,146.40 (20% x 239 x R2,699 x 12) of and for the prior year of R1,516,800 (20% x 250 x R2,528 x 12).

#### 40.5 - STELLA LANDFILL SITE LICENSE FINE

It has been established that the Stella landfill site is operating without a license as required by the NATIONAL ENVIRONMENTAL MANAGEMENT ACT NO. 107 OF 1998. The fine to be imposed on a Municipality for operating an unlicensed landfill site must be determined by the use of Regulation 636. "Regulations Relating to the Procedure to be followed and Criteria to be considered when Determining an appropriate fine in terms of Section 24G". This is a new regulation and has not been put into practice anywhere as yet thus there is no practical determination of what the potential fine would be. However, the maximum fine to be imposed in terms of this regulation is R10 Million and 10 years imprisonment. Typically we could expect that the authorities would require that the site be rendered safe to the environment thus it would either need to be removed to a licensed site or rehabilitated in situ as provided for in the provision. We have provided for an amount of R7,108,478 in the Landfill site provision. The possibility of the fine is currently remote and the amount of the fine is unknown. The potential contingent liability will thus be the difference between the maximum fine amount and the provision amount (R10,000,000 - R7,108,478), which therefore amounts to R2,891,522.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**41. CONTINGENT ASSETS**

**Various legal matters**

**41.1 NALEDI LOCAL MUNICIPALITY / QUICK SPARX**

We confirm that we have consulted with Advocate Nico Jagga in the abovementioned matter. We furthermore confirm that we have consulted with Sizwe Ntsaluba Gobodo Incorporated Forensic Auditors. In respect of Quick Sparx it was agreed between ourselves and the Forensic Auditors to obtain an asset forfeiture order in the High Court against Quick Sparx. As soon as the order has been obtained and Quick Sparx assets has been seized and frozen, we will assess the value of the assets seized and frozen, before we proceed to issue summons against Quick Sparx for the amount of R600,000. It is our thinking that issuing summons before a forfeiture order is obtained will simply alert the sole member of Quick Sparx and her husband, which may result in them hiding their assets. We were also instructed to recover the amount of R342,000.00 in respect of two transformers that were installed at the Vryburg Abattoir. We have engaged Vryburg Abattoir and they were of the opinion that the replacement of the transformers is the financial responsibility of Naledi Local Municipality. The estimated legal costs are an amount of ±R150,000.00. We expect that this matter will be handled in future and we believe that our claim is not remote.

**42. RELATED PARTIES**

**42.1 Members of key management**

MT Segapo	-	-
DM Thornhill	-	-
C Malefo	-	-
T Appolus	-	-
L Moinwe	-	-
	<b>-</b>	<b>-</b>

No related party transactions occurred between the municipality and its key management.

Compensation to councillors and other key management (refer to notes ~~21~~ and **22**).

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

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**43. KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS**

The following areas involve a significant degree of estimation uncertainty:

**43.1 Impairment of receivables**

Management has an accounting policy in place to provide for the impairment of bad debts. The policy requires individual assessment of long outstanding debtors.

The carrying value of the impairment for bad debt is:

The impairment provided for in the Statement of financial performance is:

The following amount of bad debts were written off and was approved by management and condoned by council (and is included in the amount as per Statement of financial performance)

<b>211 245 308</b>	<b>201 129 444</b>
<b>30 068 238</b>	<b>40 924 920</b>
<b>21 240 846</b>	<b>13 104 288</b>

**43.2 The useful lives and residual values of property, plant, and equipment**

In accordance with GRAP 17.61 the municipality implemented an accounting policy to ensure that the useful life of other assets are reviewed at least at each reporting date. The residual value of motor vehicles and machinery and equipment are reviewed at each reporting date. The residual value of land and buildings, infrastructure, community assets, heritage assets and other assets have been assessed at zero as the economic life of the assets are more than the useful life.

The carrying value of assets at year end, subject to the annual review is:

<b>738 662 120</b>	<b>989 907 161</b>
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**43.3 Provision for rehabilitation of landfill site**

The provision has been estimated at the current estimated costs to rehabilitate the landfill sites. An average inflation rate of 5.6% as per MFMA Circular 75 and a discount rate of 8.43 % / 8.88 % as per the R186 / R 213 Government Bond rate was used to calculate the obligation at year-end.

The closing balance of the provision is:

Current Provision

Non-current Provision

<b>6 842 106</b>	<b>4 179 345</b>
<b>4 448 730</b>	<b>5 461 048</b>

**43.4 Provision for long service award**

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

**Discount rate assumption**

The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid.



# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have determined the estimated duration of the liabilities on a time-weighted cash flow basis to be in the order of 8 years as at 30 June 2015 (based on the valuation data provided). We therefore used a nominal bond with a term of 8 years to determine the appropriate discount rate. The resultant discount rate was 8.33%.

### Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

The assumed rate of inflation was derived from the differential between the market yield on the long-term index linked bond with a term of 8 years and those of a nominal bond of a similar term and allowing for an inflation risk premium of 0.5% per annum. The implied inflation assumption is therefore 5.95% per annum for future inflation.

We assumed that salary inflation will exceed general inflation by 1.0% per annum, i.e. 6.95% p.a. In addition we have assumed that salaries will increase according to the following merit scale.

Age	Merit increase
20 - 24	5%
25 - 29	4%
30 - 34	3%
35 - 39	2%
40 - 44	1%
45+	0%

### Assets

The Entity does not have any specific assets set aside to prefund for this liability. We have therefore not included any asset value in this report

### Net discount rate

Even though the actual values used for the discount rate and the expected increase in salaries are important, the "gap" between the two assumptions are more important. This "gap" is referred to as the net discount rate. The net discount rate is 1.28% per annum. (Derived from a discount rate of 8.33% and the expected salary inflation rate of 6.95%)

### Demographic valuation assumptions

We have assumed that the pre-retirement mortality will be in line with SA85-90 table rated down by 3 years for female employees. This is a table reflecting mortality experience in South Africa. This assumption is in line with the previous assumptions used.

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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### Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
25	12%
30	10%
35	8%
40	6%
45	4%
50	2%
55	0%

### Assumed retirement age

The normal retirement age is 65. We have retained the assumed retirement age of 63 for all employees which implicitly allows for some early retirement and is consistent with assumptions used for valuing other liabilities of the Entity. It should however be noted that by assuming a normal retirement age of 63 there is an implicit assumption that service stops accruing at age 63

The closing balance of the provision is:

Current Provision

Non-current Provision

**1 060 631**

**831 467**

**7 927 669**

**7 111 067**

### 43.5 Provision for continued medical aid

The actuarial assumptions used to determine the liability in terms of GRAP 25 are based on the best estimate of the actuary in consultation with the Employer and their auditors. The assumptions are used to place a value on the liabilities. They will not impact on the actual cost of the benefits which can only be determined once the last benefit has been paid, but they will impact on how the costs are recognised over time. Should the assumption prove to be too conservative or too liberal then actuarial gains or losses will emerge.

### Discount rate assumption

The discount rate reflects the estimated timing of benefit payments. In practice, an entity often achieves this by applying a single weighted average discount rate that reflects the estimated timing and amount of benefit payments and the currency in which the benefits are to be paid. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. We have used the average nominal yield curve for bonds with duration of between 15 and 20 years as at 30 June 2015. The resultant discount rate was 8.92%.

### Future inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future salaries will increase.

We have used the difference between nominal and real bonds with duration of between 15 and 20 years and allowed for a 0.5% inflation risk premium. The implied inflation assumption is therefore 6.42% per annum.

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase.

South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will outstrip general inflation by about 1.5% per annum. The Health care cost inflation rate was therefore set at 7.92% per annum.

# NALEDI LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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### Assets

The Management of the Entity has indicated that there are currently no long-term on-balance sheet assets set aside in respect of the post-retirement Health Care liabilities.

### Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary are important, the "gap" between the two assumptions is more important. This "gap" is referred to as the net discount rate. The net discount rate (ignoring merit increases) is 0.92% per annum (derived from a discount rate of 8.91% and the expected medical inflation rate of 7.92%).

### Demographic valuation assumptions

We assumed 80% of In Service members on a health care arrangement will be married at retirement. Males were assumed to be three years older than their female spouses. The data provided in respect of the Continuation Members indicated the presence/absence of an adult dependent and provided the actual birth dates of spouses. The actual adult dependent data in respect of Continuation Members was therefore used. Members were assumed to have no dependent children after retirement. Dependent adults were assumed to be covered for their life.

### Demographic valuation assumptions

We have provided for rates of withdrawal in the valuation as follows:

Age	Withdrawal Rate
20	16%
30	10%
40	6%
50	2%
55+	nil

### Assumed retirement age

Normal retirement age for the Municipality is 65 years. We have assumed that employees will retire at age 63, which implicitly allows for the expected rates of early retirement.

### Continuation of membership and family profile

We assumed 80% of In Service members on a health care arrangement will be married at retirement. Males were assumed to be three years older than their female spouses. The data provided in respect of the Continuation Members indicated the presence/absence of an adult dependent and provided the actual birth dates of spouses. The actual adult dependent data in respect of Continuation Members was therefore used. Members were assumed to have no dependent children after retirement. Dependent adults were assumed to be covered for their life. It was assumed that Employees retiring will remain on the current plan and option at retirement. We also assumed that Employees would remain in the same income category after retirement.

The closing balance of the provision is:

Current Provision

Non-current Provision

**1 078 647**

**48 455 125**

**1 030 150**

**36 358 121**

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**44. RISK MANAGEMENT**

The activities of the municipality expose it to a variety of financial risks, including market risk (comprising Currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The municipality's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance.

**44.1 Maximum credit risk exposure**

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate

Financial assets exposed to credit risk at year end were as follows:

Current Account (Primary Bank Account) - FNB Acc nr: 54160030382	944 121	537 626
Current Account (Other Account) - ABSA Acc nr: 4070282707	259 152	771 873
Other short-term investments	41 530	136 033
Trade and other receivables	31 810 431	29 901 885

These balances represent the maximum exposure to credit risk.

**44.2 Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Liquidity risk is mitigated by the fact that consumer debtors have been adequately provided for as impaired.

**44.3 Interest rate risk**

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**2015**  
**R**

**2014**  
**R**

**44.4 Other price risk**

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Other Receivables are individually evaluated annually at year-end date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

**45. GOING CONCERN ASSUMPTION**

Naledi Local Municipality incurred a net loss of R 323,72,140 during the year ended 30 June 2015 and, as of that date, the Municipality's current liabilities exceeded its current assets by R 315,236,919.

Management believes that the Going Concern assumption is appropriate, however based on the financial liabilities and background we understand that a material uncertainty might exist at year-end.

Management is however confident that the financial situation of the municipality will be turned-around in the next financial year due to the following processes and activities implemented to address the Going Concern Risk:

- *A financial turnaround strategy was implemented and approved by Council*
- *Implementation and adoption of policy and procedure manuals affecting the financial statements of the municipality as well as the internal controls of the municipality*
- *Agreements were reached with the major current and long-term creditors to pay off long outstanding debt on a monthly basis*
- *Service providers have been appointed to implement electronic water and electricity meters, which will assist in resolving the speedier collection of consumer debtors*
- *As part of the financial turnaround and the new adopted credit control policy the municipality is in the process of handing over all debtors older than 90 days and this is assisted by the establishment of an internal debt collection unit.*

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	2015 R	2014 R
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**46. COMPARISON WITH THE BUDGET**

The comparison of the Municipality's actual financial performance with that budgeted is set out in the **Statement of comparison of budget and actual amounts** and **Appendix E**.

**47. RESERVES**

**47.1 Revaluation reserve**

Balance at beginning of year	2 797 286	1 847 484
Contributions to reserve	-	1 310 766
Reversal of reserve	-771 169	-
Realisation of reserve	-328 704	-360 965
<b>Balance at end of year</b>	<b>1 697 412</b>	<b>2 797 286</b>

**48. FINANCE LEASE LIABILITY**

**48.1 Office equipment**

**Minimum lease payments**

Within 1 year	1 691 307	435 276
Within 1 - 5 years	467 696	290 184
	2 159 003	725 460
Minus: Future finance costs	-209 529	-31 902

**Present value of minimum lease payments**

<b>1 949 475</b>	<b>693 558</b>
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**Present value of minimum lease payments**

Within 1 year	1 499 767	391 336
Within 1 - 5 years	449 708	302 221
	<b>1 949 475</b>	<b>693 558</b>

The liability is secured by the leased assets.

Carrying value of leased photocopiers	<b>2 125 995</b>	<b>855 296</b>
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It is municipalities policy to lease certain equipment under finance leases.

The average lease term was 3 years and the average effective borrowing rate was 9.25 % during the reporting period. Payments are made in arrears.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent lease payments. The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. There were no defaults or breaches and no terms and conditions were re-negotiated during the reporting period. The municipality does not have the intention to buy the assets after the lease period. The lease agreements do not impose restrictions upon the municipality.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	Annual remuneration	Performance and other bonusses	Travel allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R

**49. REMUNERATION TO INDIVIDUAL EXECUTIVE MANAGERS**

**30 June 2015**

Technical services director	916 413	-	182 833	143 868	1 243 114
Corporate services director	883 445	-	182 833	170 372	1 236 650
Community services director	807 362	-	154 215	146 681	1 108 259
<b>Total</b>	<b>2 607 219</b>	<b>-</b>	<b>519 881</b>	<b>460 922</b>	<b>3 588 022</b>

**30 June 2014**

Technical services director	389 936	-	25 875	31 496	447 308
Corporate services director	651 163	-	129 375	107 290	887 828
Community services director	768 110	-	145 500	124 102	1 037 712
<b>Total</b>	<b>1 809 209</b>	<b>-</b>	<b>300 750</b>	<b>262 888</b>	<b>2 372 848</b>

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	Annual remuneration	Travel allowance	Housing allowance	Telephone allowance	Contributions to UIF, medical and pension funds	Total
	R	R	R	R	R	R
<b>50. REMUNERATION TO COUNCILLORS</b>						
<b>30 June 2015</b>						
Mayor	325 222	81 305	263 184	41 820	55 733	767 265
Speaker	342 645	49 647	131 107	20 868	56 657	600 924
Chairperson: Finance and Economic Development	316 147	136 809	40 382	20 868	50 283	564 488
Chairperson: Human Resources, Skills Development and Training	308 795	35 324	135 463	20 868	65 493	565 943
Chairperson: Infrastructure, Basic Services and Social Development	311 969	40 690	140 909	20 868	51 760	566 196
Chairperson: Municipal Public Accounts Committee	103 707	25 927	131 430	20 868	18 404	300 336
Other Councillors	1 364 075	230 474	784 442	246 938	296 697	2 922 625
<b>Total</b>	<b>3 072 560</b>	<b>600 175</b>	<b>1 626 916</b>	<b>393 098</b>	<b>595 027</b>	<b>6 287 777</b>
<b>30 June 2014</b>						
Mayor	314 305	78 576	237 799	41 820	53 582	726 082
Speaker	329 150	48 560	111 443	20 868	54 233	564 254
Chairperson: Finance and Economic Development	302 863	46 190	152 003	20 868	8 606	530 530
Chairperson: Human Resources, Skills Development and Training	296 402	34 884	117 122	20 868	60 926	530 202
Chairperson: Infrastructure, Basic Services and Social Development	299 274	39 909	120 795	20 868	49 482	530 328
Chairperson: Municipal Public Accounts Committee	133 739	33 435	73 728	20 868	22 560	284 331
Other Councillors	1 308 289	301 400	642 529	248 648	189 478	2 690 344
<b>Total</b>	<b>2 984 022</b>	<b>582 955</b>	<b>1 455 418</b>	<b>394 808</b>	<b>438 866</b>	<b>5 856 071</b>



**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
<b>51. PROPERTY, PLANT AND EQUIPMENT - RECONCILIATION OF CARRYING VALUE</b>							
<b>Carrying values at 1 July 2014</b>	135 068 548	32 026 018	751 141 777	40 479 585	5 457 500	25 733 733.57	989 907 161
Cost	140 406 585	48 567 911	918 431 656	59 342 124	5 457 500	39 285 485.90	1 211 491 262
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-5 338 037	-16 541 893	-167 289 879	-18 862 539	-	-13 551 752.33	-221 584 101
- Cost	5 338 037	16 541 893	167 289 879	18 862 539	-	13 551 752.33	221 584 101
- Revaluation	-	-	-	-	-	-	-
Acquisitions	3 069 989	89 486	38 620 413	2 164 484	-	2 542 156.25	46 486 527
Capital under construction	-	-	44 034 278	-	-	710 470.01	44 744 748
Increases / decreases in revaluation	-	-	-	-	-771 169	-	-771 169
Depreciation	6 255 440	3 277 154	26 488 665	3 550 438	786 081	5 159 344.42	45 517 121
- based on cost	6 255 440	3 277 154	26 488 665	3 550 438	786 081	5 159 344.42	45 517 121
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-1 450 013	-	-292 295 815	-	-307 500	-155 066.84	-294 208 395
Cost / revaluation	-1 450 013	-	-369 423 337	-	-307 500	-921 507.18	-372 102 357
Accumulated depreciation	-	-	77 127 522	-	-	766 440.34	77 893 963
Impaired losses	5 316 168	-	-	589 789	-	-	5 905 957
Other movements	2 937 575	-	-	-	988 750	-	3 926 325
<b>Carrying values at 30 June 2015</b>	128 054 491	28 838 350	515 011 989	38 503 842	4 581 500	23 671 948.57	738 662 120
Cost	144 964 136	48 657 397	631 663 009	61 506 607	5 367 581	41 616 604.98	933 775 335
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-16 909 645	-19 819 047	-116 651 021	-23 002 765	-786 081	-17 944 656.41	-195 113 215
- Cost	16 909 645	19 819 047	116 651 021	23 002 765	786 081	17 944 656.41	195 113 215
- Revaluation	-	-	-	-	-	-	-

Refer to **Appendix E** for more detail on property, plant and equipmen

**Acquisitions** for the year contains Infrastructure projects and moveable assets to the value of R29,907,854 (R21,324,272 - 2014) transferred to the municipality by the District Municipality, NW Department of Roads and local businesses as disclosed per **Note 20**.

During the year, in accordance with the **NW Extraordinary Provincial Gazette No 7368** , Volume 2576 of 6 November 2014, roads to the nett value of R289,114,554 were disposed and removed from the fixed asset register of the Municipality.

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

	Land R	Buildings R	Infrastructure R	Community R	Game / animals R	Other Assets R	Total R
<b>RECONCILIATION OF CARRYING VALUE</b>							
<b>Carrying values at 1 July 2013</b>	130 012 568	35 223 188	741 769 230	43 336 156	5 246 600	28 368 918	983 956 660
Cost	133 795 190	48 434 152	875 507 277	58 323 224	5 246 600	40 340 533	1 161 646 977
Correction of error (Note 33)	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-3 782 622	-13 210 964	-133 738 047	-14 987 068	-	-11 971 615	-177 690 317
- Cost	3 782 622	13 210 964	133 738 047	14 987 068	-	11 971 615	177 690 317
- Revaluation	-	-	-	-	-	-	-
Acquisitions	878 951	124 401.07	25 398 227	176 899.33	-	4 770 887	31 349 366
Capital under construction	249 860	9 358	24 467 855	842 000	-	-	25 569 073
Increases / decreases in revaluation	-	-	-	-	1 310 766	-	1 310 766
Depreciation	1 555 415	3 330 930	34 551 972	3 875 471	518 666	4 802 540	48 634 994
- based on cost	1 555 415	3 330 930	34 551 972	3 875 471	518 666	4 802 540	48 634 994
- based on revaluation	-	-	-	-	-	-	-
Carrying value on disposals	-440 632	-	-5 941 563	-	-401 300	-2 603 532	-9 387 027
Cost / revaluation	-440 632	-	-6 941 703	-	-401 300	-5 825 935	-13 609 570
Accumulated depreciation	-	-	1 000 140	-	-	3 222 403	4 222 543
Impaired losses	-	-	-	-	-	-	-
Other movements	5 923 216	-	-	-	-179 900	-	5 743 316
<b>Carrying values at 30 June 2014</b>	135 068 548	32 026 018	751 141 777	40 479 585	5 457 500	25 733 734	989 907 161
Cost	140 406 585	48 567 911	918 431 656	59 342 124	5 976 166	39 285 486	1 212 009 928
Revaluation	-	-	-	-	-	-	-
Accumulated depreciation	-5 338 037	-16 541 893	-167 289 879	-18 862 539	-518 666	-13 551 752	-222 102 767
- Cost	5 338 037	16 541 893	167 289 879	18 862 539	518 666	13 551 752	222 102 767
- Revaluation	-	-	-	-	-	-	-

**NALEDI LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015**

**52. BORROWINGS - IN DEFAULT**

The repayment dates of some of the DBSA loans have expired, and the loans have not been repaid in full. Included in the amount owing as set out below is a breakdown of all capital, interest and penalties in arrears. The amount has also been disclosed as Fruitless and Wasteful Expenditure in **note 35.2**. The repayment terms are still being negotiated with the DBSA.

Loan no	Loan in default	Redeemable date	Carrying value of loans in arrears 30 June 2014 R	Interest in arrears			Capital in arrears			Carrying value of loans in arrears 30 June 2015 R	Total outstanding 30 June 2015 R
				Balance at 30 June 2014 R	Movement R	Balance at 30 June 2015 R	Balance at 30 June 2014 R	Movement R	Balance at 30 June 2015 R		
12885/101	Loan in default	2005/12/31	411	206	-	206	206	-	206	411	411
13083/101	Loan in default	2011/12/31	2 210 518	1 105 259	-	1 105 259	1 105 259	-	1 105 259	2 210 518	2 210 518
13084/101	Loan in default	2008/12/31	1 403 708	701 854	-	701 854	701 854	-	701 854	1 403 708	1 403 708
13086/101	Loan in default	2008/12/31	4 924	2 462	-	2 462	2 462	-	2 462	4 924	4 924
13087/101	Loan in default	2009/12/31	1 328 319	664 159	-	664 159	664 159	-	664 159	1 328 319	1 328 319
13392/101	Loan in default	2019/12/31	1 399 421	1 012 635	-	1 012 635	386 786	113 791	500 577	1 513 211	2 025 269
13393/101	Loan in default	2019/12/31	1 477 440	1 069 090	-	1 069 090	408 350	120 135	528 485	1 597 575	2 138 180
13604/101	Loan in default	2020/12/31	9 719 468	7 179 058	-437 442	6 741 616	2 540 410	713 638	3 254 048	9 995 664	13 920 675
13604/103	Loan in default	2025/06/30	4 645 499	3 955 154	-293 579	3 661 575	690 345	296 801	987 146	4 648 721	7 616 728
<b>TOTAL</b>			<b>22 189 708</b>	<b>15 689 876</b>	<b>-731 021</b>	<b>14 958 856</b>	<b>6 499 831</b>	<b>1 244 364</b>	<b>7 744 195</b>	<b>22 703 051</b>	<b>30 648 732</b>

**NALEDI LOCAL MUNICIPALITY**  
**APPENDIX A**  
**SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2015**

	Loan number	Interest rate	Balance at 30 June 2014 R	Received during the period R	Interest Capitalised R	Redeemed / written off during the period R	Balance at 30 June 2015 R
<b>GOVERNMENT LOANS</b>							
Development Bank of South Africa	12885/101	9.5%	411	-	-	-	411
Development Bank of South Africa	13083/101	15.5%	2 210 518	-	-	-	2 210 518
Development Bank of South Africa	13084/101	15.5%	1 403 708	-	-	-	1 403 708
Development Bank of South Africa	13086/101	15.5%	4 924	-	-	-	4 924
Development Bank of South Africa	13087/101	15.5%	1 328 319	-	-	-	1 328 319
Development Bank of South Africa	13392/101	17.0%	2 025 269	-	-	-	2 025 269
Development Bank of South Africa	13393/101	17.0%	2 138 180	-	-	-	2 138 180
Development Bank of South Africa	13604/101	15.7%	14 358 116	-	-	-437 442	13 920 675
Development Bank of South Africa	13604/103	15.7%	7 910 307	-	-	-293 579	7 616 728
<b>TOTAL EXTERNAL LOANS</b>			<b>31 379 753</b>	<b>-</b>	<b>-</b>	<b>-731 021</b>	<b>30 648 732</b>

**NALEDI LOCAL MUNICIPALITY**  
**APPENDIX B**  
**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

	Cost / Revaluation							Accumulated depreciation					Transfers	Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other movements	Closing balance	Opening balance	Depreciation	Disposals	Impairment loss / reversal of impairment loss	Closing balance		
	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Land	140 406 585	3 069 989	-	-	-1 450 013	2 937 575	144 964 136	5 338 037	6 255 440	-	5 316 168	16 909 645	-	128 054 491
Buildings	48 567 911	89 486	-	-	-	-	48 657 397	16 541 893	3 277 154	-	-	19 819 047	-	28 838 350
Infrastructure	918 431 656	38 620 413	-	44 034 278	-369 423 337	-	631 663 009	167 289 879	26 488 665	77 127 522	-	116 651 021	-	515 011 989
Community	59 342 124	2 164 484	-	-	-	-	61 506 607	18 862 539	3 550 438	-	589 789	23 002 765	-	38 503 842
Game / animals	5 457 500	-	-771 169	-	-307 500	988 750	5 367 581	-	786 081	-	-	786 081	-	4 581 500
Other Assets	39 285 486	2 542 156	-	710 470	-921 507	-	41 616 605	13 551 752	5 159 344	766 440	-	17 944 656	-	23 671 949
<b>TOTAL</b>	<b>1 211 491 262</b>	<b>46 486 527</b>	<b>-771 169</b>	<b>44 744 748</b>	<b>-372 102 357</b>	<b>3 926 325</b>	<b>933 775 335</b>	<b>221 584 101</b>	<b>45 517 121</b>	<b>77 893 963</b>	<b>5 905 957</b>	<b>195 113 215</b>	<b>-</b>	<b>738 662 120</b>

**NALEDI LOCAL MUNICIPALITY**  
**APPENDIX C**  
**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2015**

	Cost / Revaluation							Accumulated depreciation					Carrying value
	Opening balance	Additions	Increase in revaluation	Under construction	Disposals	Other Movements	Closing balance	Opening balance	Additions	Disposals	Impairment loss / reversal of impairment loss	Closing balance	
	R	R	R	R	R	R	R	R	R	R	R	R	R
Office of the Mayor	61 936	-	-	-	-	-	61 936	9 883	-	-	-	9 883	52 053
Office of the Speaker	286 065	3 898	-	-	-	-	289 963	-	-	-	-	-	289 963
Office of the Municipal Manager	790 256	297 157	-	-	-	-	1 087 413	110 242	-	-	-	110 242	977 171
Financial Services	2 408 119	7 785	-	-	-	-	2 415 904	225 792	-	-	-	225 792	2 190 112
Administration	2 738 352	587 931	-	-	-	-	3 326 283	-	-	-	-	-	3 326 283
Human Resource	1 172 534	1 753	-	-	-	-	1 174 287	315 222	-	-	-	315 222	859 065
Community Services	3 853 890	-	-	-	-	-	3 853 890	949 389	-	-	-	949 389	2 904 501
Parks	-	2 207	-	-	-	-	2 207	-	-	-	-	-	2 207
Recreational Facilities	2 011 638	195 918	-	-	-	-	2 207 556	-	-	-	-	-	2 207 556
Community Facilities	171 964	2 172 850	-	-	-	-	2 344 814	-	-	-	-	-	2 344 814
Libraries	23 106	3 086	-	-	-	-	26 192	-	-	-	-	-	26 192
Cemeteries	73 528	-	-	-	-	-	73 528	4 974	-	-	-	4 974	68 554
Traffic	193 083	-	-	-	-	-	193 083	-	-	-	-	-	193 083
Licensing	-	-	-	-	-	-	-	-	-	-	-	-	-
Nature Reserve	6 498 669	22 650	-771 169	-	307 500	988 750	6 431 400	-	-	-	-	-	6 431 400
Housing Administration	5 476	-	-	-	-	-	5 476	-	-	-	-	-	5 476
Fire and Disaster Services	114 068	-	-	710 470	-	-	824 538	-	-	-	-	-	824 538
Technical Services	1 185 617 938	42 624 840	-	44 034 278	371 794 857	2 937 575	903 419 773	219 852 177	51 423 078	77 893 963	-	193 381 291	710 038 482
Electricity	748 487	951	-	-	-	-	749 438	25 121	-	-	-	25 121	724 317
Water	374 677	69 311	-	-	-	-	443 988	4 186	-	-	-	4 186	439 802
Refuse Removal	2 743 638	1 481	-	-	-	-	2 745 119	-	-	-	-	-	2 745 119
Sewerage and Sanitation	817 591	7 072	-	-	-	-	824 663	-	-	-	-	-	824 663
Roads and Street Lighting	179 864	485 970	-	-	-	-	665 834	-	-	-	-	-	665 834
Town Planning	27 155	-	-	-	-	-	27 155	-	-	-	-	-	27 155
Project Management Unit	30 657	1 666	-	-	-	-	32 323	-	-	-	-	-	32 323
Mechanical Workshop	548 571	-	-	-	-	-	548 571	87 115	-	-	-	87 115	461 456
EDTA	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>TOTAL</b>	<b>1 211 491 262</b>	<b>46 486 527</b>	<b>-771 169</b>	<b>44 744 748</b>	<b>372 102 357</b>	<b>3 926 325</b>	<b>933 775 335</b>	<b>221 584 101</b>	<b>51 423 078</b>	<b>77 893 963</b>	<b>-</b>	<b>195 113 215</b>	<b>738 662 120</b>

**NALEDI LOCAL MUNICIPALITY**  
**APPENDIX D**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2015**

	2015			2014		
	Actual income R	Actual Expenditure R	Surplus / (Deficit) R	Actual income R	Actual Expenditure R	Surplus / (Deficit) R
Office of the Mayor	-	2 466 497	-2 466 497	-	2 437 326	-2 437 326
Office of the Speaker	-	8 596 118	-8 596 118	-	7 534 324	-7 534 324
Office of the Municipal Manager	-	15 305 883	-15 305 883	-	13 061 470	-13 061 470
Financial Services	102 274 287	64 132 003	38 142 284	125 927 115	43 472 308	82 454 807
Administration	101 043	21 303 477	-21 202 433	238 123	14 890 882	-14 652 758
Human Resource	653 981	6 994 807	-6 340 826	630 166	6 289 240	-5 659 074
Community Services	-	4 768 850	-4 768 850	-	5 543 577	-5 543 577
Parks	-	4 005 563	-4 005 563	-	-	-
Recreational Facilities	340 114	1 883 594	-1 543 480	1 106 199	4 993 141	-3 886 942
Community Facilities	3 887 777	2 280 651	1 607 125	1 740 487	2 700 367	-959 880
Libraries	509 390	2 625 323	-2 115 934	249 515	2 280 197	-2 030 682
Cemeteries	240 659	1 480 598	-1 239 940	237 031	2 293 422	-2 056 391
Traffic	8 793 994	10 747 130	-1 953 136	8 022 189	17 016 341	-8 994 153
Licensing	-	8 268 809	-8 268 809	-	-	-
Nature Reserve	1 083 653	4 115 958	-3 032 305	-15 907	1 848 846	-1 864 753
Housing Administration	541 085	9 946	531 139	8 835	11 774	-2 939
Fire and Disaster Services	700 000	10 005 347	-9 305 347	5 900 000	9 315 811	-3 415 811
Technical Services	-	346 847 041	-346 847 041	11 797	60 079 522	-60 067 726
Electricity	130 894 589	83 617 952	47 276 637	96 652 840	80 759 348	15 893 492
Water	20 881 221	30 964 170	-10 082 948	22 589 613	43 796 746	-21 207 133
Refuse Removal	15 791 351	18 570 859	-2 779 507	15 458 372	18 678 633	-3 220 261
Sewerage and Sanitation	16 106 991	11 463 117	4 643 873	14 761 501	11 223 125	3 538 376
Roads and Street Lighting	28 122 974	20 917 768	7 205 206	23 219 379	20 141 134	3 078 245
Town Planning	298 091	1 101 579	-803 488	354 439	955 353	-600 915
Project Management Unit	30 627 419	6 849	30 620 570	11 531 761	5 092	11 526 669
Mechanical Workshop	-	1 123 860	-1 123 860	-	1 178 038	-1 178 038
EDTA	-	1 973 010	-1 973 010	-	1 003 072	-1 003 072
<b>Total</b>	<b>361 848 619</b>	<b>685 576 759</b>	<b>-323 728 140</b>	<b>328 623 454</b>	<b>371 509 090</b>	<b>-42 885 635</b>

# NALEDI LOCAL MUNICIPALITY

## APPENDIX E

### ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2015

	2015							Explanation of significant variances greater than 10% versus budget
	Actual R	Increase in revaluation R	Under construction R	Total additions R	Budget R	Variance		
						R	%	
Office of the Mayor	-	-	-	-	-	-	0%	-
Office of the Speaker	3 898	-	-	3 898	101 000	97 102	96%	Cost saving measures applied during the year
Office of the Municipal Manager	297 157	-	-	297 157	299 000	1 843	1%	-
Financial Services	7 785	-	-	7 785	100 000	92 215	92%	Cost saving measures applied during the year
Administration	587 931	-	-	587 931	350 000	-237 931	-68%	Urgent equipment for registry obtained to legally comply
Human Resource	1 753	-	-	1 753	2 000	247	12%	Cost saving measures applied during the year
Community Services	-	-	-	-	200 000	200 000	100%	Cost saving measures applied during the year
Parks	2 207	-	-	2 207	-	-2 207	-100%	Parks not previously provided for
Recreational Facilities	195 918	-	-	195 918	100 000	-95 918	-96%	Budget originally under estimated
Community Facilities	2 172 850	-	-	2 172 850	1 500	-2 171 350	-144757%	Budget provided under Project Management Unit
Libraries	3 086	-	-	3 086	-	-3 086	-100%	Donated assets received not originally provided for
Cemeteries	-	-	-	-	-	-	0%	-
Traffic	-	-	-	-	-	-	0%	-
Licensing	-	-	-	-	-	-	0%	-
Nature Reserve	22 650	-771 169	-	-748 519	30 000	778 519	2595%	Revaluation issue in terms of GRAP
Housing Administration	-	-	-	-	-	-	0%	-
Fire and Disaster Services	-	-	710 470	710 470	700 000	-10 470	-1%	-
Technical Services	42 624 840	-	44 034 278	86 659 118	-	-86 659 118	-100%	Budget provided for under sub-votes but actual under technical services
Electricity	951	-	-	951	33 861 123	33 860 172	100%	Budget provided for under sub-votes but actual under technical services
Water	69 311	-	-	69 311	-	-69 311	-100%	Urgent items obtained not provided for
Refuse Removal	1 481	-	-	1 481	3 780 800	3 779 319	100%	Budget provided for under sub-votes but actual under technical services
Sewerage and Sanitation	7 072	-	-	7 072	-	-7 072	-100%	Urgent items obtained not provided for
Roads and Street Lighting	485 970	-	-	485 970	800 000	314 030	39%	Budget provided for under sub-votes but actual under technical services
Town Planning	-	-	-	-	-	-	0%	-
Project Management Unit	1 666	-	-	1 666	26 097 032	26 095 366	100%	Budget provided for under sub-votes but actual under technical services
Mechanical Workshop	-	-	-	-	-	-	0%	-
EDTA	-	-	-	-	-	-	0%	-
TOTAL	46 486 527	-771 169	44 744 748	90 460 106	66 422 455	-24 037 651	-36%	

**Note: This schedule is unaudited**







# Report of the auditor-general to the North West provincial legislature and the council on the Naledi Local Municipality

## Report on the financial statements

### Introduction

1. I have audited the financial statements of the Naledi Local Municipality set out on pages 80 to 145, which comprise the statement of financial position as at 30 June 2015, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

### Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2014 (Act No. 10 of 2014) (DoRA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Naledi Local Municipality as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with SA standards of GRAP and the requirements of the MFMA and the DoRA.

## Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## Restatement of corresponding figures

8. As disclosed in note 34 to the financial statements, the corresponding figures for the year ending 30 June 2014 have been restated as a result of errors discovered during the year ending 30 June 2015 in the financial statements of the Naledi Local Municipality at, and for the year ended, 30 June 2014.

## Unauthorised, irregular and fruitless and wasteful expenditure

9. As disclosed in note 35.1 to the financial statements, unauthorised expenditure of R52 783 162 was incurred in the current year and the unauthorised expenditure in respect of prior years of R54 322 626 had not yet been dealt with in accordance with section 32 of the MFMA.
10. As disclosed in note 35.2 to the financial statements, fruitless and wasteful expenditure of R17 671 394 was incurred in the current year and fruitless and wasteful expenditure from prior years of R14 645 586 had not yet been dealt with in accordance with section 32 of the MFMA.
11. As disclosed in note 35.3 to the financial statements, irregular expenditure of R2 440 875 was incurred in the current year and irregular expenditure from prior years of R151 294 378 had not yet been dealt with in accordance with section 32 of the MFMA.

## Material impairments and losses

12. As disclosed in note 23 to the financial statements, impairments of R30 068 238 (2014: R40 924 920) were incurred as a result of significant impairment of debtors.
13. As disclosed in note 27 to the financial statements, material distribution losses of R11 218 757 (2014: R14 675 308) and R6 455 566 (2014: R5 091 482) were incurred as a result of electricity and water losses respectively.

## Going concern

14. As disclosed in note 45 to the financial statements the Naledi Local Municipality incurred a net loss of R323 728 140 during the year ended 30 June 2015 and, as of that date, the Municipality's current liabilities exceeded its current assets by R315 236 919. These conditions, along with other matters as set forth in note 45, indicate the existence of a material uncertainty that may cast significant doubt on the Municipality's ability to operate as a going concern.

## Significant uncertainties

15. With reference to note 40 to the financial statements, the municipality is the defendant in a number of legal matters. The municipality is contesting these claims. The ultimate outcome of the matter cannot presently be determined and no provision for any liability that may result has

been made in the financial statements.

## **Additional matters**

16. I draw attention to the matters below. My opinion is not modified in respect of these matters.

## **Unaudited disclosure notes**

17. In terms of section 125(2)(e) of the MFMA the municipality is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

## **Unaudited supplementary schedules**

18. The supplementary information set out on pages 146 to 150 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

## **Report on other legal and regulatory requirements**

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives for selected development objectives presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

## **Predetermined objectives**

20. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development objectives presented in the annual performance report of the Municipality for the year ended 30 June 2015:
- Development objective: To promote uninterrupted basic service delivery on pages 37 to 38, page 45 and page 64.
  - Development objective: To report on national general KPIs on pages 28 to 29, pages 39 to 40, page 47, page 52 and pages 65 to 67.
21. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
22. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development objectives. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).
23. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
24. The material findings in respect of the selected development objectives are as follows:

## **Development objective: To promote uninterrupted basic service delivery**

### **Usefulness of reported performance information**

25. The FMPPI requires that indicators be well defined and verifiable and targets be specific, measureable and time bound:

- A total of 67% of the targets were not specific.
- The required performance for 67% of the targets could not be measured.
- A total of 67% of the indicators were not well defined.
- A total of 33% of the indicators were not verifiable.

This was because management was not aware of the requirements of the FMPPI.

26. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 67% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the integrated development plan (IDP) and the service delivery and budget implementation plan (SDBIP). This was because proper performance planning and management practices had not been developed and implemented to provide for the development of performance indicators and targets included in the IDP and the SDBIP.

### **Reliability of reported performance information**

27. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the auditee's records not permitting the application of alternative audit procedures.

## **Development objective: To report on national general KPIs**

### **Usefulness of reported performance information**

28. The FMPPI requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 45% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the IDP and the SDBIP. This was because proper performance planning and management practices had not been developed and implemented to provide for the development of performance indicators and targets included in the IDP and the SDBIP.

### **Reliability of reported performance information**

29. The FMPPI requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. I was unable to obtain the information and explanations I considered necessary to satisfy myself as to the reliability of the reported performance information. This was due to limitations placed on the scope of my work due to the absence of information systems and the auditee's records not permitting the application of alternative audit procedures.

## **Additional matters**

30. I draw attention to the following matters:

## **Achievement of planned targets**

31. Refer to the annual performance report on pages 27 to 67 for information on the achievement of the planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information for the selected development objectives reported in paragraphs 25 to 29 of this report.

## **Adjustment of material misstatements**

32. I identified material misstatements in the annual performance report submitted for auditing on the reported performance information for the Development priority: To report on national general KPIs. As management subsequently corrected only some of the misstatements, I identified material findings on the usefulness and reliability of the reported performance information.

## **Unaudited supplementary schedules**

33. The supplementary information set out on pages 68 to 71 does not form part of the annual performance report and is presented as additional information. I have not audited this schedule and, accordingly, I do not report thereon.

## **Compliance with legislation**

34. I performed procedures to obtain evidence that the municipality had complied with applicable legislation regarding financial matters, financial management and other related matters. My findings on material compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

## **Strategic planning and performance management**

35. The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning and improvement and how it is conducted, organised and managed as required by section 38 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and regulation 7 of the Municipal planning and performance management regulations (MPPMR).
36. Measurable performance targets for the financial year were not set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).

## **Annual financial statements**

37. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 of the MFMA. Material misstatements of non-current assets, current assets, non-current liabilities, current liabilities and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

## **Expenditure management**

- 38. Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA.
- 39. Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.

## **Procurement and contract management**

- 40. Bids were not always evaluated by bid evaluation committees which were composed of officials from the municipality's requiring the goods or services as required by SCM regulation 28(2).
- 41. Thresholds for local content on designated sectors procurement were not properly applied in accordance with the requirements of regulation 9 of the Preferential Procurement Regulations.
- 42. Awards were made to providers who are in the service of other state institutions in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).
- 43. Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).

## **Consequence management**

- 44. Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.
- 45. Allegations of financial misconduct laid against officials of the municipality were not investigated in accordance with the requirements of sections 171(4)(a) and 172(3)(a) of the MFMA and regulation 5(1) of the Municipal regulations on financial misconduct procedures and criminal proceedings.

## **Audit committee**

- 46. The performance audit committee did not make recommendations to the council, as required by regulation 14(4)(a)(ii) of the MPPMR.

## **Budget**

- 47. The total unforeseen and unavoidable expenditure incurred exceeded the greater of R5 million or 4% of own revenue, in contravention of regulation 72 of the Municipal Budget and Reporting Regulations.

## **Environmental matters**

- 48. The municipality did not exercise its legislative and executive authority as required by the sections 11(3)(l) and (m) of the MSA by managing, monitoring and enforcing environmental related bylaws to promote a safe and healthy environment.
- 49. The municipality operated one of its waste disposal site facilities without a license in contravention of section 20(b) of the National Environmental Management Waste Act, 2008 (Act No. 59 of 2008) (NEMWA), section 24(2)(a) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and section 22(1)(b) of the National Water Act, 1998

(Act No. 36 of 1998) (NWA).

50. The municipality's waste management and disposal activities contravened the requirements of section 28(1) of the NEMA, section 19 of the NWA and sections 16(1)(c) and (d) and 26(1)(b) of the NEMWA.

## **Internal control**

51. I considered internal control relevant to my audit of the financial statements, the annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

## **Leadership**

52. The leadership did not exercise adequate oversight over financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities.

## **Financial and performance management**

53. Management's internal controls and processes over the preparation and presentation of financial statements and performance reports were not able to ensure that the reports were free from material misstatements. As a result, material corrections had to be made to the audited annual financial statements and performance reports.

## **Governance**

54. The internal audit department did not have an impact as their recommendations were not always implemented during the financial year. Although the audit committee fulfilled its functions during the year, they had limited impact due to the lack of adequate implementation of their recommendations by the municipality.

*Auditor General*

Auditor-General  
Rustenburg  
30 November 2015



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*





# NALEDI LOCAL MUNICIPALITY

## REMEDIAL ACTIONS TO ADDRESS

### AUDIT REPORT ISSUES

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January 2016

#### Background:

The 2014/15 Annual Report of the Naledi Local Municipality – including the report of the Auditor General – raises a number of issues that need to be addressed by Council and the Administration.

The objectives are to:

- meet the requirements of the Municipal Systems Act (32 of 2000) and the Municipal Finance Management Act (56 of 2003);
- deliver on the broad mandate from the electorate and communities of Naledi to improve the quality of service delivery; and
- ensure effective control over public finances.

No.	Reference	Issue	Proposed Action	By Whom
1	AG/9	<p><b><u>Unauthorised, irregular and fruitless and wasteful expenditure</u></b></p> <p>As disclosed in note 35.1 to the financial statements, unauthorised expenditure of R52 783 162 was incurred in the current year and the unauthorised expenditure in respect of prior years of R54 322 626 had not yet been dealt with in accordance with section 32 of the MFMA.</p>	Unauthorised expenditure should be dealt with in accordance with section 32 of the MFMA.	Chief Financial Officer (DM Thornhill)
2	AG/10	<p><b><u>Unauthorised, irregular and fruitless and wasteful expenditure</u></b></p> <p>As disclosed in note 35.2 to the financial statements, fruitless and wasteful expenditure of R17 671 394 was incurred in the current year and fruitless and wasteful expenditure from prior years of R14 645 586 had not yet been dealt with in accordance with section 32 of the MFMA.</p>	Fruitless and wasteful expenditure should be dealt with in accordance with section 32 of the MFMA.	Chief Financial Officer (DM Thornhill)

No.	Reference	Issue	Proposed Action	By Whom
3	AG/11	<p><b><u>Unauthorised, irregular and fruitless and wasteful expenditure</u></b></p> <p>As disclosed in note 35.3 to the financial statements, irregular expenditure of R2 440 875 was incurred in the current year and irregular expenditure from prior years of R151 294 378 had not yet been dealt with in accordance with section 32 of the MFMA.</p>	Irregular expenditure should be dealt with in accordance with section 32 of the MFMA.	Chief Financial Officer (DM Thornhill)
4	AG/12	<p><b><u>Material impairments and losses</u></b></p> <p>As disclosed in note 23 to the financial statements, impairments of R30 068 238 (2014: R40 924 920) were incurred as a result of significant impairment of debtors.</p>	TBC	Chief Financial Officer (DM Thornhill)
5	AG/13	<p><b><u>Material impairments and losses</u></b></p> <p>As disclosed in note 27 to the financial statements, material distribution losses of R11 218 757 (2014: R14 675 308) and R6 455 566 (2014: R5 091 482) were incurred as a result of electricity and water losses respectively.</p>	TBC	Chief Financial Officer (DM Thornhill)
6	AG/25	<p><b><u>Predetermined objectives</u></b></p> <p>The FMPPI requires that indicators be well defined and verifiable and targets be specific, measureable and time bound:</p> <p>A total of 67% of the targets were not specific.</p> <p>The required performance for 67% of the targets could not be measured.</p> <p>A total of 67% of the indicators were not well defined.</p> <p>A total of 33% of the indicators were not verifiable.</p>	Ensure that targets are well defined and verifiable and targets be specific, measureable and time bound as required by the FMPPI.	Manager: Planning and Compliance (R Minny)

No.	Reference	Issue	Proposed Action	By Whom
7	AG/26	<p><b><u>Predetermined objectives</u></b></p> <p>The FMPPi requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 67% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the integrated development plan (IDP) and the service delivery and budget implementation plan (SDBIP). This was because proper performance planning and management practices had not been developed and implemented to provide for the development of performance indicators and targets included in the IDP and the SDBIP.</p>	Ensure that indicators relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the integrated development plan (IDP) and the service delivery and budget implementation plan (SDBIP).	Manager: Planning and Compliance (R Minny)
8	AG/28	<p><b><u>Development objective: To report on national general KPIs</u></b>  <b><u>Usefulness of reported performance information</u></b></p> <p>The FMPPi requires indicators to relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives. A total of 45% of the indicators did not relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the IDP and the SDBIP. This was because proper performance planning and management practices had not been developed and implemented to provide for the development of performance indicators and targets included in the IDP and the SDBIP.</p>	Ensure that indicators relate logically and directly to an aspect of the auditee's mandate and the realisation of strategic goals and objectives as per the integrated development plan (IDP) and the service delivery and budget implementation plan (SDBIP).	Manager: Planning and Compliance (R Minny)

No.	Reference	Issue	Proposed Action	By Whom
9	AG/35	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Strategic planning and performance management</u></b></p> <p>The performance management system and related controls were inadequate as it did not describe and represent the processes of performance planning and improvement and how it is conducted, organised and managed as required by section 38 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and regulation 7 of the Municipal planning and performance management regulations (MPPMR)</p>	Ensure that the performance management system and related controls are adequate and describes and represents the processes of performance planning and improvement and how it is conducted, organised and managed as required by section 38 of the Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA) and regulation 7 of the Municipal planning and performance management regulations (MPPMR)	Manager: Planning and Compliance (R Minny)
10	AG/36	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Strategic planning and performance management</u></b></p> <p>Measurable performance targets for the financial year were not set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).</p>	Ensure that measurable performance targets for the are set in the IDP, for each of the key performance indicators and with regard to each of the development priorities or objectives, as required by section 41(1)(b) of the MSA and the Municipal planning and performance management regulations 12(1) and 12(2)(e).	Manager: Planning and Compliance (R Minny)
11	AG/38	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Expenditure management</u></b></p> <p>Money owed by the municipality was not always paid within 30 days, as required by section 65(2)(e) of the MFMA</p>	Ensure that money owed by the municipality is always paid within 30 days, as required by section 65(2)(e) of the MFMA	Chief Financial Officer (DM Thornhill)

No.	Reference	Issue	Proposed Action	By Whom
12	AG/39	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Expenditure management</u></b> Reasonable steps were not taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.</p>	Ensure that reasonable steps are taken to prevent unauthorised expenditure, irregular expenditure and fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA.	Chief Financial Officer (DM Thornhill)
13	AG/40	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Procurement and contract management</u></b> Bids were not always evaluated by bid evaluation committees which were composed of officials from the municipality's requiring the goods or services as required by SCM regulation 28(2).</p>	Ensure that bids are always evaluated by bid evaluation committees which are composed of officials from the municipality's requiring the goods or services as required by SCM regulation 28(2).	Chief Financial Officer (DM Thornhill)
14	AG/41	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Procurement and contract management</u></b> Thresholds for local content on designated sectors procurement were not properly applied in accordance with the requirements of regulation 9 of the Preferential Procurement Regulations.</p>	Ensure that thresholds for local content on designated sectors procurement are properly applied in accordance with the requirements of regulation 9 of the Preferential Procurement Regulations.	Chief Financial Officer (DM Thornhill)
15	AG/42	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Procurement and contract management</u></b> Awards were made to providers who are in the service of other state institutions in contravention of section 112(j) of the MFMA and SCM regulation 44. Similar awards were identified in the prior year and no effective steps were taken to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).</p>	Take steps to prevent or combat the abuse of the SCM process in accordance with SCM regulation 38(1).	Chief Financial Officer (DM Thornhill)

No.	Reference	Issue	Proposed Action	By Whom
16	AG/43	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Procurement and contract management</u></b></p> <p>Persons in service of the municipality whose close family members had a private or business interest in contracts awarded by the municipality failed to disclose such interest, as required by SCM regulation 46(2)(e).</p>	Ensure that interests are disclosed as required by SCM regulation 46(2)(e).	Chief Financial Officer (DM Thornhill)
17	AG/44	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Consequence management</u></b></p> <p>Unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.</p>	Ensure that unauthorised, irregular and fruitless and wasteful expenditure incurred by the municipality are investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a)(ii) of the MFMA.	Executive Manager Community Services (TKN Appolus)
18	AG/45	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Consequence management</u></b></p> <p>Allegations of financial misconduct laid against officials of the municipality were not investigated in accordance with the requirements of sections 171(4)(a) and 172(3)(a) of the MFMA and regulation 5(1) of the Municipal regulations on financial misconduct procedures and criminal proceedings.</p>	Ensure that allegations of financial misconduct laid against officials of the municipality are investigated in accordance with the requirements of sections 171(4)(a) and 172(3)(a) of the MFMA and regulation 5(1) of the Municipal regulations on financial misconduct procedures and criminal proceedings.	Chief Financial Officer (DM Thornhill)
19	AG/46	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Audit committee</u></b></p> <p>The performance audit committee did not make recommendations to the council, as required by regulation 14(4)(a)(ii) of the MPPMR.</p>	Performance audit committee should make recommendations to the council, as required by regulation 14(4)(a)(ii) of the MPPMR.	Audit Committee-supported by Francois Buys  MPAC Administration Manager (NK Gasebue) to liaise

No.	Reference	Issue	Proposed Action	By Whom
20	AG/47	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Audit committee</u></b></p> <p>The total unforeseen and unavoidable expenditure incurred exceeded the greater of R5 million or 4% of own revenue, in contravention of regulation 72 of the Municipal Budget and Reporting Regulations.</p>	Avoid being in contravention of regulation 72 of the Municipal Budget and Reporting Regulations.	<p>Audit Committee-supported by Francois Buys</p> <p>MPAC Administration Manager (NK Gasebue) to liaise</p>
21	AG/48	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Environmental matters</u></b></p> <p>The municipality did not exercise its legislative and executive authority as required by the sections 11(3)(l) and (m) of the MSA by managing, monitoring and enforcing environmental related bylaws to promote a safe and healthy environment.</p>	The municipality should exercise its legislative and executive authority as required by the sections 11(3)(l) and (m) of the MSA by managing, monitoring and enforcing environmental related bylaws to promote a safe and healthy environment.	Executive Manager Community Services (TKN Appolus)
22	AG/49	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Environmental matters</u></b></p> <p>The municipality operated one of its waste disposal site facilities without a license in contravention of section 20(b) of the National Environmental Management Waste Act, 2008 (Act No. 59 of 2008) (NEMWA), section 24(2)(a) of the National Environmental Management Act, 1998 (Act No. 107 of 1998) (NEMA) and section 22(1)(b) of the National Water Act, 1998 (Act No. 36 of 1998) (NWA).</p>	The municipality should ensure that waste disposal site facilities are licensed.	Executive Manager Community Services (TKN Appolus)
23	AG/50	<p><b><u>Compliance with legislation</u></b></p> <p><b><u>Environmental matters</u></b></p> <p>The municipality's waste management and disposal activities contravened the requirements of section 28(1) of the NEMA, section 19 of the NWA and sections 16(1)(c) and (d) and 26(1)(b) of the NEMWA.</p>	Municipality should follow waste management and disposal activities as required by section 28(1) of the NEMA, section 19 of the NWA and sections 16(1)(c) and (d) and 26(1)(b) of the NEMWA.	Executive Manager Community Services (TKN Appolus)

No.	Reference	Issue	Proposed Action	By Whom
24	AG/52	<p><b><u>Internal control Leadership</u></b></p> <p>The leadership did not exercise adequate oversight over financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities.</p>	Leadership should exercise adequate oversight over financial and performance reporting, compliance monitoring and related internal controls. Policies and procedures did not adequately guide financial, performance and compliance activities.	
25	AG/53	<p><b><u>Internal control Financial and performance management</u></b></p> <p>Management's internal controls and processes over the preparation and presentation of financial statements and performance reports were not able to ensure that the reports were free from material misstatements. As a result, material corrections had to be made to the audited annual financial statements and performance reports.</p>	Management should ensure that internal controls and processes over the preparation and presentation of financial statements and performance reports are free from material misstatements.	Chief Financial Officer (DM Thornhill) and Manager: Planning and Compliance (R Minny)
26	AG/54	<p><b><u>Internal control Governance</u></b></p> <p>The internal audit department did not have an impact as their recommendations were not always implemented during the financial year. Although the audit committee fulfilled its functions during the year, they had limited impact due to the lack of adequate implementation of their recommendations by the municipality.</p>	Municipality to implement recommendations by internal audit department.	Internal audit department



# **NALEDI LOCAL MUNICIPALITY**

## **ANNUAL REPORT OF THE AUDIT AND PERFORMANCE COMMITTEE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

### **1. INTRODUCTION**

The Chairperson of the Audit and Performance Committee has pleasure in submitting herewith the annual report for the financial year ended 30 June 2015.

### **2. THE LEGAL FRAMEWORK GOVERNING THE AUDIT AND PERFORMANCE COMMITTEE**

2.1 Section 166(1) of the Local Government: Municipal Finance Management Act, (Act number 56 of 2003) (MFMA) requires from each municipality to have an audit committee.

2.2 In terms of section 166(2) (a) of the MFMA the “audit committee is an independent advisory body which must “amongst others” advise the municipal council on matters relating to-

- i. internal financial control and internal audits;
- ii. risk management;
- iii. accounting policies;
- iv. the adequacy, reliability and accuracy of financial reporting and information;
- v. performance management;
- vi. effective governance;
- vii. compliance with this Act, the annual Division of Revenue Act and any other applicable legislation;
- viii. performance evaluation; and
- ix. any other issues referred to it by the municipality.

2.3 In addition sections 166(2) (b) (c) (d) and (e) requires from the committee to review the annual financial statements, respond to council on any issues raised by the Auditor-General South Africa in the audit report, carry out such investigations into the financial affairs of the municipality as the Council may request and perform such other functions as may be prescribed.

### 3. GOVERNANCE OF THE AUDIT AND PERFORMANCE COMMITTEE

The Audit and Performance Committee has adopted appropriate terms of reference which are captured in an Audit and Performance Committee Charter, approved by Council. The Committee has approved an Internal Audit Charter which regulates the operations of the internal audit shared service. The Chief Audit Executive reports operationally to the Audit Committee.

The members of the Audit and Performance Committee during the period 1 July 2014 to 30 June 2015 were:

Member	Position
Mr. G. Ramorwesi	Chairperson
Mr. T. Berend	Member
Mr. O. Jacobs	Member
Ms. D. Mongwaketse	Member
Ms. F. Mudau	Member
Mr. S. Ngobeni	Member

The Audit and Performance Committee convened regularly during the period 1 July 2014 to 30 June 2015 as set out in the following table:

Date	G. Ramorwesi	T. Berend	O. Jacobs	D. Mongwaketse	F. Mudau	S. Ngobeni
22 August 2014	Apology	✓	✓	✓	✓	✓
12 December 2014	Apology	✓	✓	✓	Apology	✓
21 January 2015	✓	✓	✓	✓	Apology	Apology
22 June 2015	Apology	✓	✓	✓	Apology	✓

### 4. INTERNAL CONTROL AND INTERNAL AUDITS

The system of internal control was not entirely effective for the year under review. The Audit and Performance Committee has taken note of internal control deficiencies as reported by Internal Audit and advise management to immediately address those matters.

## **5. RISK MANAGEMENT**

Management has performed quarterly risk assessments and the compilation of risk registers for each department. The risk registers of all departments have been updated by management and monitored by the Risk Manager for the 2014-2015 financial year.

The Risk Manager reported all risk management responsibilities to the Audit and Performance Committee throughout the financial year. This management responsibility will continue to be monitored on an ongoing basis by the Audit and Performance Committee.

The Audit and Performance Committee advise management to ensure that regular risk assessments includes the consideration of IT risks and fraud prevention, and to develop and monitor a risk strategy to address these risks.

## **6. ACCOUNTING POLICIES**

Accounting Policies are part of the Annual Financial Statements (AFS). The AFS was reviewed on 24<sup>th</sup> August 2015. Refer to Paragraph 12 for more information on AFS.

## **7. THE ADEQUACY, RELIABILITY AND ACCURACY OF FINANCIAL REPORTING AND INFORMATION**

The Internal Audit reported that adequate and effective controls were in place regarding financial reporting, due to the fact that financial reports were compiled, completed and timely submitted to the relevant stakeholders as required by Section 71 of the MFMA.

The Audit and Performance Committee advise management to maintain the effective controls on financial information.

## **8. PERFORMANCE MANAGEMENT**

The Internal Audit Shared Service reported that there were adequate but ineffective controls in place for the Management and Reporting of Performance Information in terms of the submission of performance information not timely done. This was mainly attributed due to:

- Senior Managers' non-submission or late submission of Portfolios of Evidence that enabled internal audit to timely verify reported achievements.

The Audit and Performance Committee advise management to immediately address the issue of timely submission of performance information to Internal Audit.

The Audit and Performance Committee has taken note of the unsatisfactory assessment by the Auditor-General on the usefulness and reliability of reported performance information of the Naledi Local Municipality and trust that these management practices should improve into the next financial year.

The Audit and Performance Committee advise management to immediately address the material findings on the usefulness and reliability of reported performance information and the issue of compliance with all regulatory requirements on performance information as raised by the Auditor-General.

## **9. EFFECTIVE GOVERNANCE**

The MFMA imposes a number of responsibilities on the accounting officer concerning financial and risk management, and internal control. Essential to achieving this is the implementation of certain key governance responsibilities.

The following key governance responsibilities of the Municipality are functional:

- Audit and Performance Committee
- Internal Audit
- Municipal Public Accounts Committee
- Portfolio Committees
- Executive Committee
- Council

## **10. COMPLIANCE WITH THIS ACT, THE ANNUAL DIVISION OF REVENUE ACT AND ANY OTHER APPLICABLE LEGISLATION**

The Internal Audit Shared Service reported that the internal controls which ensure the compliance with applicable legislation, policies and procedures were ineffective due to:

- Key deadlines in terms of the IDP Process Plan not adhered to.

The Audit and Performance Committee take note of the findings on non-compliance with specific matters in key legislation as highlighted by the Internal Audit and advise

management to adhere to the timeframes of the IDP Process Plan as adopted by Council.

## **11. PERFORMANCE EVALUATION**

The performance of the Municipal Manager and Managers reporting directly to the Municipal Manager for the reporting period ended 30 June 2015 has not been evaluated.

The Audit and Performance Committee advise management and Council to immediately address all outstanding performance evaluations of the Municipal Manager and Managers reporting directly to the Municipal Manager.

## **12. REVIEW OF ANNUAL FINANCIAL STATEMENTS**

The Audit and Performance Committee noted the Annual Financial Statements for the year ended 30 June 2015 as presented by management on the 24<sup>th</sup> of August 2015.

The Audit and Performance Committee has noted the unqualified opinion expressed by the Auditor-General in his report on the Annual Financial Statements and commends management with regard to the preparation and presentation of these financial statements for the year under review.

## **13. THE AUDITOR-GENERAL (SOUTH AFRICA)**

The Audit and Performance Committee acknowledge the conclusions of the Auditor-General on the Annual Financial Statements for the year ended 30 June 2015 and recommends that the audited annual financial statements be adopted by the Council.

## **APPRECIATION**

The Audit and Performance Committee expresses its sincere appreciation to the Mayor, Council, Municipal Manager, Management, Officials, Auditor-General South Africa and the Internal Audit Shared Service for their support to the Audit and Performance Committee during the year under review.



Chairperson of the Audit and Performance Committee  
G. Ramorwesi  
13 January 2016